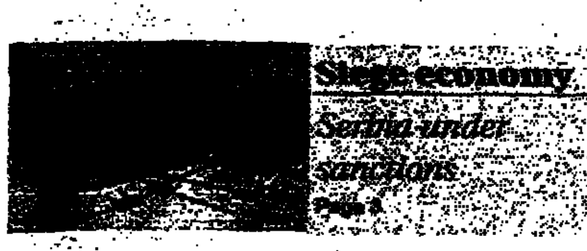
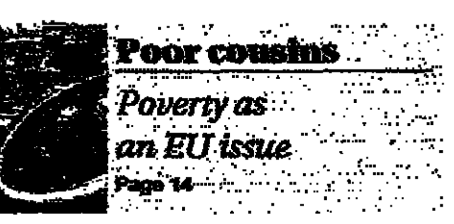


Siege economy

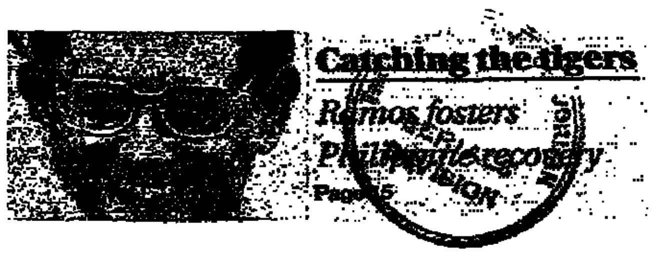
Serbia under sanctions



Poor cousins

Poverty as an EU issue

Page 14



Catching the tigers

Ramos fosters Philippine recovery

IN TOMORROW'S
Weekend FT
What Germany thinks of D-Day

FINANCIAL TIMES

Europe's Business Newspaper | FRIDAY JUNE 3 1994 | D8523A

Japanese to invest more in low-cost Asian production

Japanese companies plan to boost low-cost Asian production next year, when their overall capital spending is expected to rise for the first time in three years, a government survey shows. Corporate Japan plans to increase total investment in plant and equipment by 1.1 per cent in the year to March, according to a study of 1,615 companies.

Direct investment in other Asian countries in the coming year will leap to 37.5 per cent of total foreign investment, up from 16.4 per cent in the previous year, emphasising the Japanese focus on expansion in China and south-east Asia. Page 16

KLM back in the black: A sharp rise in passenger traffic and continued cost-cutting enabled KLM Royal Dutch Airlines to report annual net profits of Fl 103m ($55.7m), reversing the previous year's losses of Fl 562m. Page 17

Chest pains force Arafat to rest

Palestine Liberation Organisation leader Yassir Arafat was ordered to rest in Tunis after complaining of chest pains. An aide dismissed reports that Arafat was planning to go to Amman for treatment. Last week, he had a three-hour check-up at a Tunis hospital after suffering from exhaustion. Israeli air raid kills up to 45, Page 4

Tenneco cuts Chase offering: Tenneco, the US energy and industrial group, has scaled back plans for an initial public offering of its Case farm machinery subsidiary, cutting the size to 25 per cent of Case common stock. Page 17

Bosnia talks called off: The United Nations called off crucial talks in Geneva between the warring Bosnian factions after the Bosnian Serbs failed to withdraw forces from the safe haven around the eastern town of Gorazde. Page 3

Hong Kong company seeks Oslo listing: Hong Kong-based shipping company Jinhui Shipping & Transportation plans an Oslo Stock Exchange listing. It will be the first Asian company to be quoted on the Norwegian market. Page 20

North Yemen ignores ceasefire call: North Yemen launched missile attacks on Aden in defiance of an overnight United Nations resolution calling for a ceasefire in the month-old civil war. Page 4

Solid advance at Canadian bank: The Royal Bank of Canada reported a 12 per cent gain in second-quarter profits to C$273m (US$196.9m), because of strengths in retail and investment banking and the contribution from Royal Trust, acquired last September. Page 19

UK Treasury plans company debt sales: The UK Treasury plans to raise between £1bn and £1.5bn ($1.5bn-$2.25bn) through the sale of bonds issued by privatised companies, including British Telecommunications, the power generators and regional electricity distributors. Page 17; Lex, Page 16

Plans for Indian steel plant in doubt: Plans to build a Rs64bn ($1.95bn) integrated steel plant near Calcutta have been thrown into doubt following the withdrawal of Caparo, the UK engineering group, as principal promoter. Page 4

Boots ahead of forecasts: UK retailer Boots shrugged off problems at its pharmaceuticals and DIY businesses to beat the best forecasts with a 19 per cent increase in underlying profits. Pre-tax profits increased 2.6 per cent to £415.9m after exceptional charges. Page 18; Lex, Page 16

Cosmo Oil to explore Abu Dhabi field: Cosmo Oil, a Japanese oil wholesaler and distributor, is on the verge of receiving exploration and development rights to a oilfield in Abu Dhabi. Page 6

HungarHotels to be privatised: Hungary's privatisation authorities are seeking a buyer for 51 per cent of HungarHotels, the country's largest hotel chain. The sale is expected to raise about $50m. Page 18

161 die in Indian heatwave: The death toll from a heatwave sweeping northern India climbed to 161, with temperatures reaching 49 deg C.

■ STOCK MARKET INDICES		
FT-SE 100:	2,980.8	(+48.9)
Yield	4.14	
FT-SE Eurotrack 100	1,390.95	(+1.99)
FT-SE-A All-Share	1,503.89	(+1.3%)
Nikkei	21,809.60	(-44.11)
New York lunchtime		
Dow Jones Ind Ave	3,762.06	(+1.23)
S&P Composite	458.03	(+0.40)
■ US LUNCHTIME RATES		
Federal Funds	4¼%	
3-mo Treas Bills: Yld	4.221%	
Long Bond	86½	
Yield	7.361%	
■ LONDON MONEY		
3-mo Interbank	5⅞%	(same)
Liffe long gilt future:	Jun 101⅜	(Jun 99¾)
■ NORTH SEA OIL (Argus)		
Brent 15-day (July)	$16.385	(16.52)
■ Gold		
New York Comex (Aug)	$386.8	(386.3)
London	$383.3	(385.7)

■ STERLING		
New York lunchtime:		
$	1.51025	
London:		
$	1.5124	(1.5171)
DM	2.4977	(2.4922)
FFr	8.5288	(8.5208)
SFr	2.1229	(2.1218)
Y	158.695	(158.765)
£ Index	80.3	(same)
■ DOLLAR		
New York lunchtime:		
DM	1.65335	
FFr	5.6460	
SFr	1.40325	
Y	104.95	
London:		
DM	1.6515	(1.6426)
FFr	5.6393	(5.6165)
SFr	1.4035	(1.3985)
Y	104.930	(104.65)
$ Index	65.5	(65.3)
Tokyo close Y 104.65		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr210	Neth	Fl 4.00	Slovak Rp	Sk50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso55	Syria	S£50.00
France	FFr8.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000
						UAE	Dh12.00

Candidates court French support for top EU job

By David Buchan in Paris and Lionel Barber in Brussels

The competition to succeed Mr Jacques Delors as president of the European Commission took an unexpected direction yesterday, with two leading candidates courting France in an effort to halt a Paris-Bonn bandwagon in favour of Mr Jean Luc-Dehaene, the Belgian premier.

Mr Ruud Lubbers, Dutch prime minister, and Sir Leon Brittan, chief EU trade negotiator, paid separate visits to Mr Edouard Balladur, the French prime minister, in a rare turn of public lobbying for a job which, in the past, has been settled through discreet diplomacy.

After the meetings, a spokesman for Mr Balladur said that "France was open to examining the merits of all candidates" for the Brussels job. "The fact that both Mr Lubbers and Sir Leon are of high quality is flattering for the Commission."

France and Germany have made little effort to hide their preference for Mr Dehaene as a successor to Mr Delors, but French officials insisted that the two allies cannot pre-empt a decision that is scheduled to be made unanimously at the EU summit in Corfu on June 24-25.

Mr Lubbers, the longest serving Dutch prime minister, stressed in a Financial Times interview this week that the choice of a successor to Mr Delors lay "not only with Bonn and Paris". He appealed to other countries to make up their own minds.

Sir Leon's camp reacted with enthusiasm to Mr Lubbers' determination to ignore the apparent Franco-German snub and stay in the race. Supporters calculate that this increases the chance of a deadlock at Corfu, opening the way for Sir Leon or the other long-shot candidate, Mr Peter Sutherland, the outgoing head of the General Agreement on Tariffs and Trade.

Next week campaigning is expected to intensify, with Sir Leon planning to visit Mr Silvio Berlusconi, the new Italian prime minister. Another crucial meeting takes place on Monday between Chancellor Helmut Kohl of Germany and President Felipe González of Spain.

Although Mr González has pledged to support Mr Lubbers, a senior Spanish official said yesterday that the promise was made several months ago, when Sir Leon was the only declared candidate. He also said Mr González went public to head off pressure from Mr Kohl and others to take the Brussels job.

It seems unlikely that France's displeasure at the continued imprisonment in Brussels of Mr Didier Pineau-Valencienne, head of the French arm of the Schneider industrial group, will affect the outcome. France does not hold Mr Dehaene responsible for the actions of his judiciary which Paris accepts is independent, an official said.

Mr Lubbers has now belatedly joined Sir Leon, who has just published a new book on his vision of Europe, in going public on their candidacies for Mr Delors' job. By contrast, Mr Dehaene has declined to confirm he is a candidate, knowing that he can already count France and Germany in his camp.

European disarray has spread to the Organisation for Economic Co-operation and Development (OECD), which now looks unlikely to reach agreement on a new secretary general at its annual ministerial meeting in Paris next week. With the UK, France and Germany all fielding rival candidates, European members of the OECD want more time to select a single European candidate.

Leading nations to meet on OECD jobs plan

By Peter Norman, Economics Editor

Finance and labour ministers from the world's leading industrialised nations will be asked next week to endorse 57 detailed proposals to cut the 35m army of unemployed in their countries.

The Organisation for Economic Co-operation and Development will seek the backing of its 25 member governments for the policy recommendations as a first step towards drawing up tailor-made unemployment reduction programmes for each member state.

The plan is that the programmes should be ready in autumn to catch a hoped-for quickening of growth in the industrialised world that would lessen the pain of some of the planned measures. Against a background of strong US growth and rising hopes of recovery in Japan and continental Europe, the OECD secretariat is expected to tell ministers next week that growth in the OECD area will be faster than last December's forecasts of 2.1 per cent for this year and 2.7 per cent for 1995.

The jobs paper, which will be put forward by Mr Jean-Claude Paye, the secretary general, is likely to be an uncomfortable read for many governments in Europe, where the organisation envisages an increase in unemployment to 22m next year.

The document will tell governments to ask whether existing policies promote or hinder the capacity of their economies to innovate and compete in an increasingly globalised economy.

It is expected to urge governments to look at such institutions as minimum wages, arguing that these increase youth unemployment. It will advocate changes to tax and benefit systems in many countries, so that the benefit safety net targets people in real need. It will propose cuts in Europe's high non-wage labour costs such as payroll taxes, suggesting that governments levy taxes on consumption if they need to make up revenue shortfalls. It is also expected to advocate lower direct taxes where this would make it more attractive for employers to hire people with low skills for low wage jobs.

However, the OECD will underline the importance of social policies to ensure that people on low wages have acceptable incomes.

The study strongly supports many of the changes introduced by the UK government in recent years to make Britain's labour market more flexible.

The OECD's aim is not to put forward a magic solution for cutting unemployment, recognising that its recommendations will apply with different force in the various member states, depending on local conditions.

For example, its recommendations for greater wage flexibility would be expected to carry greater weight in a country such as France, where wage structures are rigid, than in the US.

Continued on Page 16

Jobs priority, Page 4

French and Belgian authorities in search

Police seize papers from Schneider's Paris headquarters

By John Ridding in Paris and Emma Tucker in Brussels

French and Belgian police searched the Paris headquarters of Groupe Schneider as part of a fraud investigation into Mr Didier Pineau-Valencienne, the chairman of the French electrical engineering group who has been held in a Brussels prison since last week, the company said yesterday.

Schneider said that it had co-operated with the search, which took place on Wednesday and yesterday morning. The police, accompanied by two French judicial officials, took accounting documents and correspondence from the offices to assist in their investigation into Schneider's management of Cofibel and Cofimines, two Belgian subsidiaries at the centre of the investigation.

The search and the seizure of documents follows Wednesday's ruling by a Brussels court to extend the detention of Mr Pineau-Valencienne and Mr Valentino Foti, an Italian businessmen arrested as part of the same investigation.

Lawyers for both men said they would appeal against their continued imprisonment, which could see them detained in Brussels' Forest prison for up to a month. The appeal will be heard within 15 days.

The continued detention of Mr Pineau-Valencienne prompted a sharp fall in the shares in the company, one of Europe's largest electrical engineering groups with annual sales of about FFr56bn ($9.8bn). The shares, which were suspended on Wednesday pending the announcement of the court ruling, yesterday lost 5.5 per cent of their value, falling from FFr390.5 to FFr368.9.

Industry observers in Paris said the prolonged detention of the Schneider chairman was unsettling for investors. "The subsidiaries involved are relatively small, less than five per cent of the group's total assets," said one electronics analyst in Paris. "But the damage to the image of the company is much greater."

Another analyst said that the concerns of investors were amplified by the central role that Mr Pineau-Valencienne has taken in the management of the group. "He has drawn up and implemented the company's programme of restructuring and acquisitions. It is very much his own plan," the analyst said.

The accusations facing Schneider centre on its treatment of Cofibel and Cofimines and a bid to buy out minority shareholders in the two subsidiaries which was launched in 1992. Belgian prosecutors claim there were irregularities in the offer.

They claim that offshore companies and assets were concealed from regulators and investors in the subsidiaries and believe that Schneider received more than BFr3bn ($87m) at the expense of its Belgian subsidiaries between 1988 an 1992.

Belgian prosecutors are also examining the alleged non-payment of dividends to all the subsidiaries' shareholders by the offshore companies.

Schneider denies the accusations and says it has not acted against the interests of minority shareholders. It says that Mr Pineau-Valencienne, although nominally chairman of the two subsidiaries, was not actively involved in their management.

This task fell to Mr Jean Verdoot, the managing director of the companies, who died last year.

When in Rome: US president Bill Clinton, on a visit to Italy, takes a break from his early morning jog yesterday to have the sights pointed out to him by the US ambassador, Reginald Bartholomew. In the background is St Peter's Basilica

Picture: Reuter

US insurer sets up fund for investment in Asian countries

By Richard Waters in New York

American International Group, the US insurer, will today announce a $1.1bn fund for investment in infrastructure in developing Asian countries.

Around half of the fund is destined for power, telecommunications and transport projects in China.

The government of Singapore, through two of its investment funds, has provided $250m of the money, signalling a policy to switch more of its international investment to supporting Asian development.

The completion of the AIG fund comes just ten days after Tiger Management, one of the biggest hedge fund groups in the US, was forced to withdraw its own planned $1bn infrastructure fund.

In an attempt to kick-start that fund, Tiger and GE Investments, which manages pension fund money for General Electric, earlier this year agreed to contribute $225m between them.

However, the proposed fund is believed to have suffered from the adverse publicity hedge funds attracted after some made big losses in the upheaval in financial markets earlier this year.

The AIG fund is being formed at a time when the fate of the most ambitious infrastructure fund announced to date, between hedge fund manager George Soros and GE Capital, General Electric's financial services arm, remains unclear.

In January, each side agreed to contribute $200m to a fund which was intended to attract as much as $2.5bn to invest in power projects in developing countries.

The AIG fund will be managed by Emerging Markets Corporation, a Washington-based company set up two years ago by two World Bank veterans, Moeen Qureshi and Don Roth.

AIG has itself put $100m into the fund. GE, which has backed infrastructure funds to support the sale of its own power generation equipment in developing countries, is also believed to be an investor.

Around half of the Bermuda-registered fund is expected to be invested in projects in China, with the rest in Indonesia, Malaysia, the Philippines, Taiwan and Thailand.

Speaking in Beijing earlier this year, Qureshi, a former caretaker prime minister of Pakistan, said that the fund represented "a sea change in the willingness of long-term investors to venture out into developing countries".

CONTENTS

Outsiders hit by a strain of Euro-fever

Hugh Carnegy and Ian Rodger find referendums in the air in applicant states

EUROPEAN ELECTIONS June 9 and 12

Euro-election fever is definitely in the air in Austria, Finland, Norway and Sweden, the four European Free Trade Association (Efta) countries whose governments hope to join the European Union at the beginning of next year. But these outsiders looking in at the elections to the European parliament are only bit players, for the moment, in the story. Their attention, instead, is firmly focused on the campaigns for the referendum votes to be held in each of the four on whether to join the EU.

This is particularly so in Austria, where the referendum will be on June 12, the same day as the EU parliamentary vote. The streets of Vienna, are decked out with posters hoisted by the two sides in the fervent referendum contest.

The debate turns on issues vital to Austrians, such as the country's neutrality, its environment and the survival of its mountain farmers. The gap between the Yes and No camps has narrowed, with a poll earlier this week showing Yes on 48 per cent, its lead cut to just two percentage points.

In the three Nordic countries, the referendums are not due until autumn. Finland will vote on October 16, Sweden on November 13 and Norway on November 28. In Sweden, the vote will be preceded by a general election on September 13.

But in all three nations, the EU debate is already well under way. Television and radio debates on the issue are frequent, newspapers are full of the story and it is a subject of lively private discussion.

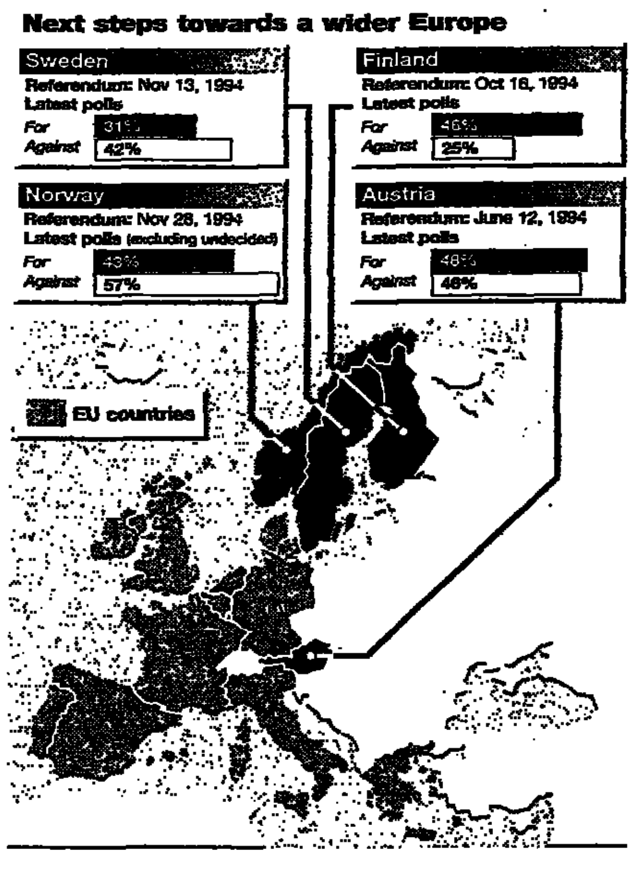
While the Efta countries are preoccupied with their own referendum campaigns, the outcome of the European parliamentary elections could have an influence on how those campaigns develop.

This has already happened in Austria, where the referendum date was deliberately set to coincide with the parliamentary vote among existing members. The country's mainstream political leaders, united in their desire for a Yes vote, were concerned to make the conditions surrounding the referendum as favourable as possible for a positive result.

That led them initially to choose to hold the referendum in June, so that the issues involved would not become confused with those in a national election that must be held later in the year.

They initially favoured June 19 or June 26, giving them as much time as possible for passing the enabling legislation and rallying support to the pro-Europe cause.

But it was felt that an unsavoury outcome to the European parliamentary elections on June 12, such as the election of fascists to the Strasbourg assembly, could put many Austrians off Europe entirely. So the referendum was brought forward.



A similar fear among EU supporters of a boost to the No camp from the European elections exists in the three northern countries, where most government and opposition party leaderships are, as in Austria, in favour of membership.

In Finland, the Yes campaign remains firmly in the lead – with latest polls showing a margin of 46 per cent in favour to 25 per cent against, with the balance undecided.

But in Sweden and in Norway, the No vote has sustained a significant lead despite slipping somewhat after the applicant countries completed their accession agreements with Brussels in March.

Latest polls in Sweden put the No camp ahead at 42 per cent, with the Yes vote slipping since April to 31 per cent. In Norway, excluding undecided voters, the No side is holding steady, with about 57 per cent support against, 43 per cent for the Yes camp.

The worry for the social democratic and conservative leaderships in Stockholm and Oslo is that the long-standing No ascendancy could be further cemented if the European elections show extremists gaining strength – and a blaze of publicity – in Strasbourg.

Equally, a low turnout would deepen the impression in the Nordic countries that the existing citizens of the EU are less than enthusiastic about the union – notwithstanding the FT opinion poll this week which showed a large majority of EU voters in favour of entry by the Efta four.

These are unlikely to be decisive factors in themselves. In Finland, Norway and Sweden, the debate about EU membership turns on more fundamental questions about political and economic sovereignty.

But the problem for the Yes campaigns in all three countries is the lack of momentum they have so far been able to generate. Having already got most of the trade benefits of Union membership through the completion last year of the European Economic Area agreement between Efta and the EU, the argument for the long-term need to participate in the EU's political structures has been undermined by the seemingly endless internal problems besetting the Union.

No sooner had the Nordic and Austrian governments proclaimed the success of their accession negotiations in March than their enthusiasm was punctured by the row that followed in the EU over the distribution of voting rights in Union decision-making after enlargement.

This was particularly painful for the right-centre Swedish government of Mr Carl Bildt, which was put in the miserable position of having to explain the stubborn resistance to change by its supposed close ally, the British conservative government.

Mr Bildt and his Finnish and Norwegian counterparts, Mr Esko Aho and Mrs Gro Harlem Brundtland, will be hoping the European elections will not throw up any further hurdles in their already obstacle-strewn paths.

They will also be praying that on the same day the Austrians will vote Yes to set the ball rolling in their direction.

So far, the No campaigns in the north have made little reference to Austria. But if Austria rejects membership, parallels will undoubtedly quickly be drawn between the four nations, with their small populations, their traditions of independence and their tough farming conditions. "Oh yes," exclaimed Ms Eva-Britt Svensson, leader of the Swedish "No to the EU" organisation this week. "An Austrian No would be a big boost for us."

Call for EU to guard against over-regulation

QUESTIONS ON EUROPE

Mr Percy Barnevik, 53, has been chief executive of the Swedish-Swiss international engineering group ABB Asea Brown Boveri since 1988. He was previously chief executive of Sweden's Asea.

Q: Where should the European Union place its top priorities in economic and social policy?

A: Priority No 1 is to resist the temptation to over-regulate. Instead, the EU should continue creating conditions for the free play of market forces. This includes the fight against protectionism – particularly involving central and eastern Europe, which badly needs to increase trade. It also includes the completion of the single market and initiatives for joint public and private transeuropean networks in the transport, energy and telecommunications sectors to lead European economies out of the present recession.

Q: Do you believe the European parliament should be given greater powers?

A: I am a great believer in parliamentary control of governments and therefore favour giving the European parliament the means to exercise this control. However, I realise the parliament's power has been increased through the Maastricht treaty, so we must now guard against too much bureaucracy which could paralyse the European legislation process.

Q: What is the earliest date at which EU membership by former communist countries might be practicable?

A: We must allow no delays for the target year of 2000 for the EU membership of the Czech Republic, Hungary and Poland.

Mr Percy Barnevik

Q: Has the single market expanded your business opportunities throughout Europe?

A: The single market has clearly started to expand business opportunities through the liberalisation of public procurement and facilitation of cross-border traffic. There is, of course, no guarantee for entrepreneurial success – all these measures have increased competition and thereby tend to decrease margins.... to be a winner you have to be even leaner, more efficient and attractive to the customers. The losers will be the ones who cling to remaining protection and who ask for government support.

Q: Does the choice of the next president to the European Commission matter to you? Whom would you prefer to see in the job?

A: I would wish that the most capable candidate gets the job and not just the politically most opportune one; for example, a "lowest common denominator" which sometimes happens when people cannot agree. Europe needs a strong leader.

Coming up on MTV, a hot new quartet of European politicians

MEPs look for younger voters

By Ronald van de Krol in Amsterdam

The contest for younger Dutch voters in the European elections will take a new twist this weekend.

On Sunday, Mr Gijs de Vries, one of the country's most prominent members of the European parliament, is scheduled to take part in a programme broadcast by MTV, the US-based pop music and video-clip channel, to a potential audience of some 25m European households.

His appearance, along with that of three other aspiring MEPs from other states of the European Union, is calculated to put Mr de Vries in touch with the Netherlands', and Europe's, youth.

"Young people have a real hunger for information about Europe," he says. "One of the most frequent questions I get is how can I get a job in Europe, or how can I do a student internship with a foreign company elsewhere in Europe."

Though he is only 38, Mr de Vries is a veteran Dutch MEP, having served the right-wing Liberals in Europe since the age of 28, when he was barely older than most members of today's "MTV generation".

Dutch young people may be interested in pursuing pan-European careers, but most voters in the Netherlands, traditionally a stronghold of pro-European feeling, are displaying a distinct lack of interest in the European Parliament campaign.

Mr Jan Marinus Wiersma, an MEP candidate for the Labour party, says. "There is some voter fatigue out there because this is the third election they've had since March." Besides the municipal polls in March, the Dutch also held a general election in early May.

Mr Wiersma disagrees with the view that there are no fundamental differences between the parties. "There is a fight going on about the future of the 'Rhineland' model of combining an active government stance with freedom for market forces." The left wants to create jobs while the right wants to lower wages, he says.

Mr de Vries of the Liberals also highlights differences. "In social policy, the question is whether we want a 35-hour week, which the Socialists favour, or rather greater flexibility in labour laws, as we want."

All parties are broadly in favour of the European Union, and there is no hint of anti-Maastricht fervour.

Mr Sam Rozemund, an analyst at the Clingendael institute for international relations in The Hague, says that domestic rather European politics are dominating the latest campaign. "But that's little different from European elections in other years," he notes.

What is different, however, is that Dutch politicians are still trying to put together a government coalition, meaning the June 9 poll is being seen as a referendum on the result of the May 3 general election.

The ruling Christian Democrats and Labour both fared badly in the national elections, losing support to the Liberals and D66, a left-of-centre party.

Much will depend on the level of voter turnout. "Christian Democratic voters tend to turn out for the European election, so that could favour them," Mr Rozemund argues.

Fighting spirit roused in Denmark

By Hilary Barnes in Copenhagen

The campaign in Denmark for the election to the European Parliament has turned into a verbal punch-up between the prime minister, Mr Poul Nyrup Rasmussen, leader of the Social Democratic party, and the pugnacious Mr Uffe Ellemann-Jensen, leader of the Liberal party and the country's foreign minister from 1982 to 1993.

The current slanging match is just a rehearsal for a more important confrontation in the autumn, when a general election to the Folketing will be held, and Uffe, as he is widely known, will be trying to unseat his Social Democratic rival.

Mr Ellemann-Jensen has gone out on a limb by proposing that the country should drop the "opt-outs" from the Maastricht treaty, which Denmark obtained by the Edinburgh agreement in December 1992 (they covered participation in the final phase of Emu, the common defence programme, common legal policies, and European citizenship).

The opt-outs were the essential element in a compromise which followed the referendum defeat of the Maastricht treaty in the first Danish referendum on June 2, 1992, and they enabled the government to put the treaty to a second referendum on May 18 last year, when the voters finally endorsed the treaty.

The opt-out from the common defence programme, which means that Denmark refuses to become a member of Western European Union, places Denmark in an "absurd situation", argues Mr Ellemann-Jensen.

He urges a referendum now to enable Denmark, which is a member of Nato, to join WEU, and accuses the government of a head-in-the-sand policy on European security, reminiscent, he tells his audiences, of the 1930s, when Denmark met the rise of Hitler by pursuing a policy of unarmed neutrality.

Mr Ellemann-Jensen's straight talking appears to be paying off. If the opinion polls are any guide, the Liberal party may win 30 per cent or more of the votes cast and four or five of Denmark's 16 seats in the Strasbourg assembly, compared with the three seats they have in the present parliament.

A tough fight for second place is taking place between the Social Democrats, who should retain the four seats they have now by winning about a quarter of the votes cast (much less than the 37 per cent they won in the last general election), and the Anti-European Alliance.

This consists of two non-party anti-European organisations, the People's Movement Against the EU, represented with four MEPs in the present parliament, which was founded in the aftermath of the 1972 referendum that took Denmark into the EU, and the June Movement, named in memory of the June 2 defeat of the Maastricht treaty in 1992.

The anti-Europeans include members and supporters from all parts of the political spectrum, but their leading candidates, law professor Ole Krarup for the People's Movement and Mr Jens Peter Bonde, a current MEP, for the June Movement, are well known left-wingers.

The most colourful candidate is, perhaps, Ms Lone Dybkjaer, fighting on behalf of the coalition government's Radical Liberal party. She is a former minister of the environment and present live-in companion of the prime minister.

Germany's FDP struggles to stay afloat

Former kingmakers acknowledge their fate is tied to Kohl's, writes Judy Dempsey

The leadership of Germany's Free Democratic party, the junior partner in the governing coalition, will today in Rostock begin its struggle to convince disillusioned supporters the party is still worthy of being called the "kingmakers" of the German political system.

The party, which made and broke ruling coalitions of the 1960s, 1970s and 1980s, is struggling to keep its head above the German electoral water. A spate of recent opinion polls gives the FDP just about 5 per cent, the minimum to secure representation in the Bundestag, or lower house.

Any successful outcome of this three-day congress depends on Mr Klaus Kinkel, the foreign minister, who less than a year ago was elected chairman. His task is to impose discipline on an unruly party which increasingly realises, and fears, that its fate is tied to Chancellor Helmut Kohl's Christian Democratic Union.

Mr Kinkel, a former civil servant and head of Germany's secret service who joined the party only three years ago, has found it difficult to stamp his authority on the party – unlike his predecessor, Mr Hans-Dietrich Genscher, who still hovers in the background.

Earlier this year, Mr Jürgen Möllemann, the party leader in North Rhine-Westphalia and former economics minister who had to resign over a scandal, suggested that the FDP ditch Mr Kinkel and name its own candidate for chancellor.

The party rallied around Mr Kinkel. But the internal dissent has continued largely because the FDP is losing a sense of what role "liberalism" plays in a party which has shared power for nearly 25 years. "We see ourselves as upholders of free-market values in the coalition, and of civil liberties," said one senior party official. Yet its ability to practise what it purports to stand for has been increasingly undermined, particularly over the past four years in power with the CDU.

Mr Günter Rexrodt, the FDP economics minister, has been unable to gain enough support for a plan to introduce deregulation, particularly in the energy sector. His colleague Mr Otto Lambsdorff, the party's economic spokesman, was this year forced to shelve his own plans for a revived 1994 federal budget in order to cut the deficit to DM70bn (£28bn).

The liberals have also disappointed the left wing of the party by having to support the CDU's law and order campaign and possible powers for the police to bug private homes. As a further affront, Mr Kinkel, despite much dissent, secured enough backing – in the third and final ballot – for Mr Roman Herzog, Mr Kohl's candidate as federal president. In doing so, the FDP signed up to support the CDU and ruled out any possible future coalition with the Social Democrats.

Last month's presidential election showed that, despite ideological differences with the CDU, one principle binds the FDP together: the wish to remain in power.

"If the truth be known, we are no longer the great king makers any more," a deputy said. "We know our fate is now tied to Kohl. We are seen by the electorate as part of the government. If the CDU goes up in the polls, it can only do us good. We cannot jump ship now and move over to the SPD. By backing Herzog, we backed the CDU in their bid for extending power after next October."

Yet the traditional liberals would probably argue that it is time the FDP had a stint out of power in order to re-group and redefine their role in a united Germany. "We might be out for ever then," one official quipped, adding that this prospect alone might give the chance for Mr Kinkel to unite the party and march behind the chancellor. But its disillusioned supporters will need much persuading between now and October that the party deserves to be returned to the Bundestag.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David G.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363 Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

EUROPEAN NEWS DIGEST

Greek interest rates fall as pressures ease

Greek interbank interest rates fell sharply yesterday as financial markets stabilised after almost three weeks of turbulence. The overnight borrowing rate dropped to 35 per cent, while the three-month interbank rate came down to 40 per cent. Dealers said a squeeze on liquidity in the banking system, which kept short-term interest rates at over 100 per cent last week, had eased. The government succeeded in raising Dr450bn (£1.2bn) needed this month to finance the public debt through sales of treasury bills at interest of up to 27 per cent and Ecu- and US dollar-linked bonds. But interest rates on government bonds are expected to remain at record levels as next month's borrowing requirement will also be higher than usual.

The drachma declined yesterday against the D-Mark, closing at Dr149.45, down from Dr149.15 on Wednesday. Mr Yannos Papantoniou, economy minister, said the currency was no longer threatened with devaluation. Economists said it would depreciate at a faster rate against other EU currencies over the next few weeks. *Kerin Hope, Athens*

Brussels to study mine sale

The European Commission announced yesterday that it is to examine the privatisation of east Germany's Mibrag brown coal mines and the takeover bid by the French state-controlled insurance company Assurances Générales de France (AGF) International for the Belgian life insurer Assubel Vie. Brussels will look at plans to acquire Mibrag through a share purchase by PowerGen, the UK energy utility, and energy concerns NRG Energy and Morrison Knudsen of the US. It will also investigate AGF's plan to create a company, Delta Capital, under which it will merge its Belgian assets AGF Belgium and L'Escaut with those of Assubel. *Associated Press, Brussels*

E Europe environment plea

Environment ministers from east European countries meeting in Copenhagen yesterday called on the international development banks to provide them with soft loans for environmental investments. The conference, called by the Danish minister, Mr Svend Auken, to give the east Europeans a chance to put their views to the banks, was attended by ministers from 16 east European countries and by representatives from the World Bank, the European Bank for Reconstruction and Development, the Nordic Investment Bank and the European Commission.

The east European governments made it clear at a conference last year on the environmental condition of the Baltic Sea that they would not be able to make environmental investments unless loans were granted on especially favourable terms. Clearing up the most serious sources of pollution in the Baltic would require at least $15bn (£10bn), according to Mr Auken: "It is impossible to find financing of this order without changes in the rules of the game." The development banks have insisted so far, that all loans to east Europe must be based on "sound banking principles". The conference was expected to conclude last night with a declaration calling on the development banks to change their policies and procedures. *Hilary Barnes, Copenhagen*

Oslo approves wider oil search

Norway cleared the way for future oil prospecting off its southern coast yesterday despite strong opposition from neighbouring Sweden. The Labour government won a deal with the opposition to allow exploration in the Skagerrak strait, but agreed to make further environmental studies before starting drilling. The opposition Conservative party backed the plan in return for a government promise to review controversial rules allowing the state to raise its stake in profitable oil and gas fields.

The new exploration areas will open up 16 per cent more of Norway's continental shelf for prospecting, making it possible to drill under 56 per cent of the waters off the coast. Norway, western Europe's biggest oil producer, currently pumps some 2.5m barrels a day, mostly from the North Sea. Output, however, is expected to fall in few years unless new discoveries are made. Sweden, fearing pollution from oil prospecting in the waters between itself, Norway and Denmark, has requested inter-government talks before a decision is made. Norway's state pollution board has sharply criticised previous studies of the consequences of opening Skagerrak and areas off mid-Norway for exploration, calling them inadequate. *Reuter, Oslo*

Russian privatisation protest

Moscow's mayor, Mr Yuri Luzhkov, yesterday stepped up his campaign against Russia's privatisation drive, accusing Mr Anatoly Chubais, deputy prime minister in charge of privatisation, of leading the economy into a dead-end. He said Mr Chubais should take responsibility for the fact that Russians had lost confidence in privatisation vouchers, distributed in 1992. Long an opponent of large-scale privatisation, the mayor restricted land and property sales in the capital earlier this year and banned the registration of joint stock companies if they were formed from state-owned enterprises.

Mr Luzhkov said the state privatisation committee was simply creating conditions for speculators to buy up state property cheaply and sell it later for higher prices. "We support the market economy and privatisation. But we do not want state property to be sold off for almost nothing. We wanted to create a class of owner-producers in Russia. But everything has been bought up by speculators," he said. Mr Chubais responded by vowing to take legal action against Mr Luzhkov, accusing him of prompting a social explosion by violating existing laws. *Reuter, Moscow*

ECONOMIC WATCH

Record number jobless in EU

Unemployment in the European Union rose to a record 11 per cent in April with some 18m people out of work, the European Commission's statistics office, Eurostat, said yesterday. It was the first rise since December when the seasonally-adjusted jobless rate rose to 10.9 per cent from 10.8 per cent. The figure stood at 10.4 per cent in April last year. The largest increases over the year were in Spain, where the jobless rate climbed from 21.3 per cent to 23.1 per cent. The only two countries to register a drop were Britain, where the rate dipped from 10.3 per cent to 9.9 per cent, and Ireland, where it slipped from 18.4 per cent to 17.9 per cent. *Reuter, Luxembourg.*

■ The Bank of France said it cut its intervention rate to 5.3 per cent from 5.4 per cent at a securities repurchase tender held yesterday to allocate funds for injection into the money market today.

■ Italian money supply as measured by M2 grew an average 8.1 per cent year-on-year in the three months to end-April compared with the revised average growth figure of 7.6 per cent in the three months to the end of March, the Bank of Italy said.

■ Italian total bank lending in lire fell by 4 per cent year-on-year in April compared with a revised fall of 2.7 per cent in March, according to the central bank.

UN postpones peace talks on Bosnia

By Frances Williams in Geneva

The United Nations yesterday called off crucial talks in Geneva between the warring Bosnian factions after the Bosnian Serbs failed to withdraw forces from the safe haven around the eastern town of Gorazde.

Bosnia's Moslem leaders have refused to attend the talks until this condition is met, and the UN accepted their contention that the Serbs had reneged on promises to comply. Despite the setback, the powers involved in talks on Bosnia signalled their continued determination to bring the parties to the table.

The French government announced that representatives of the "contact group" on Bosnia, which includes the US, Russia, Britain, France and Germany, hoped to convene tomorrow, two days earlier than planned.

UN officials said there was a slim chance that talks between the warring parties could begin today, but only if the Bosnian Serbs fulfilled a pledge to remove all armed personnel, military and civilian, from the 3km exclusion zone around Gorazde.

Some 150-200 Serb militia and para-military police, as well as some armed civilians, remain in the zone to "protect" Serb civilians, in contravention of a UN agreement.

The Bosnian Moslems accuse the Serbs of blurring the distinction between soldiers and civilians, with some fighters donning civilian clothes and posing as "refugees" resettling the area.

Dr Radovan Karadzic, Bosnian Serb leader, said on Wednesday that all armed personnel would leave Gorazde immediately. But yesterday afternoon the UN reported there had been "no movement" and senior Bosnian government representatives remained in Sarajevo.

Mr Yasushi Akashi, head of UN operations in former Yugoslavia, who had hoped to negotiate a four-month cessation of hostilities across Bosnia, had no choice but to abandon yesterday's talks.

The deadlock between the Bosnian parties cast a shadow over the international negotiations planned for tomorrow in Geneva.

These talks, under the auspices of the five-nation contact group, are aimed at securing a two-way split of Bosnia between the Bosnian Serbs and the newly-formed Croat-Moslem federation.

Dr Karadzic and other members of the Bosnian Serb delegation arrived in Geneva yesterday, as did Mr Kresimir Zubak, the Bosnian Croat leader who was this week elected interim president of the new federation.

There has been some confusion over the relative seniority of Mr Zubak and the Bosnian government headed by Mr Alija Izetbegovic.

Crimea's parliament yesterday rejected an appeal from President Yuri Meshkov (above right) for the power to rule by decree, AP reports from Simferopol. Mr Meshkov, who became president of the rebel Black Sea peninsula in January, told MPs he needed emergency powers to push through economic reforms. He stormed out of parliament after his plea was rejected. Picture: AP

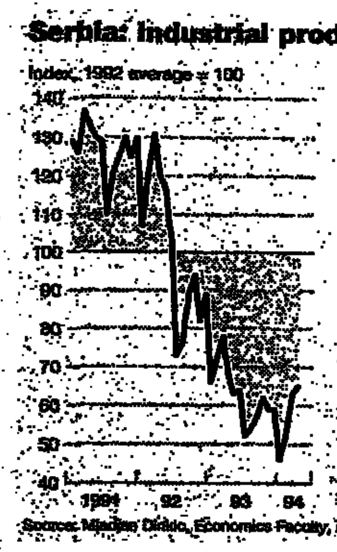
Serbs learn to come to terms with sanctions

The United Nations trade ban has hurt but not changed many minds, writes Laura Silber in Belgrade

Serbia's leaders are in buoyant mood; the governor of the rump Yugoslavia's central bank says oil coming into the republic is being held up more by its own customs officials seeking tariffs on petrol imports than by any international officials policing sanctions; and President Slobodan Milosevic brags that Serbia could survive sanctions for a millennium.

It is not all nationalistic blather. There are some statistics around that give it substance. Hyperinflation appears to have been defeated, industrial production is bottoming out and, on the ground, businessmen and entrepreneurs are telling stories about how they have little trouble, though some additional expense, exporting their wares.

Serbia: industrial production



Source: Mladjan Dinkic, Economics Faculty, Belgrade Univ.

Slobodan Milosevic
President

Industrial production remains far below the pre-sanctions level, but has grown over the past four months. It rose by 3 per cent in April alone

"I have to pay DM3,000 [1,200] to the Bulgarian police and DM6,000 to international inspectors from the CSCE [Conference on Security and Co-operation in Europe] or the UN on the border," says Mr Miodrag Nikolic, owner of Feman, an electrical and machine tools company in Jagodina, central Serbia. "But one lorry-load is worth half a million so it does not add too much to the price."

Mr Nikolic says his small business has actually benefited from sanctions, gaining access to markets usually reserved for Serbia's huge state companies.

"It sounds funny but sanctions gave us a chance to export," he says of his company which in April had a turnover of DM850,000.

Sanctions have even helped Feman seize control of the market in Macedonia, Serbia's small southern neighbour, which finds tools from western European, or even Slovenia, expensive, says Mr Nikolic. "Our prices are 45 per cent below even after sanctions."

Sanctions were imposed on the rump Yugoslavia (Serbia and Montenegro) two years ago because of the Serbs' role in the bloody partition of Bosnia.

"Trade takes place but exports are 20 per cent cheaper and imports 20 per cent more expensive," says Mr Ljubomir Madzar, professor of economics at Belgrade University.

For some companies, however, the sanctions have not been so benign. "We cannot smuggle out living room sets," says Mr Slobodan Stojanovic, director of foreign trade for Simpo, once a Balkan giant in the furniture industry.

"The only way we have managed to keep our old partners", says Mr Vlastimir Kostic, representative of Metalprogres, a small socially-owned company which makes tools, "is by selling to them at the lowest price.

"Our customers who risked trading with us during sanctions will be rewarded when they are lifted. We have made sacrifices in order to keep our customers," who he says are from Italy and Egypt.

Mr Kostic says production costs are up 30 per cent as a result of sanctions. "In the long term sanctions have hurt us, making our goods non-competitive."

It is difficult to gauge the broader economic effects of the sanctions. The official figure is that they have cost the two rump Yugoslav states $45bn (£30bn).

Industrial production has fallen to a third of its level in 1990. Factories are operating at below half capacity. Per capita gross national product has fallen to less than $1,000 from $2,148. Unemployment is running as high as 50 per cent if you include the hundreds of thousands of workers sent on "forced holidays" over the past two years.

However, Mr Madzar points out that sanctions alone cannot account for this.

He cites the break-up of Yugoslavia, the interruption of trade and transport links among the country's former republics, the collapse of the socialist system, the cost of war, hyperinflation and "horrible" mistakes in economic policies.

There are, however, some signs of tentative improvement. While industrial production remains far below the pre-sanctions level, it has grown over the past four months. It rose by 3 per cent in April compared with March, though this followed a 24 per cent rise over the previous month, according to official statistics.

Mr Ivan Vujacic, a Belgrade economist, says industrial growth can be expected in the aftermath of hyperinflation, but says it would be impossible to sustain an increase in production while sanctions are still in force.

Meanwhile, Serbian officials say this year's harvest will be good. The republic has traditionally been self-sufficient in food, exporting wheat, meat, fruits and vegetables.

The central bank governor, Mr Dragoslav Avramovic, architect of the economic programme that overnight in January brought inflation from 300m per cent to zero, says sanctions are no longer of crucial importance for Yugoslavia.

President Milosevic thinks the economic situation has improved so much that he is no longer in a hurry to reach an agreement on Bosnia. Previously, he has appeared anxious to get an agreement in order to secure the lifting of sanctions.

Indeed, western diplomats based in Belgrade say that they have never seen the Serbian leadership so self-confident since sanctions were imposed.

"If the goal was to punish Serbia, the target was hit," says Mr Predrag Simic, director of the Belgrade Institute of International Politics and Economics. "But it was missed if the aim was to push the voters in Serbia towards a change."

In the distorted political climate of Serbia, the reason for sanctions is unclear to most people. According to a recent poll in Nin, a Belgrade newsweekly, 42.5 per cent of the Serbian population does not know why sanctions were imposed or how they can be lifted. The next largest group, 19.5 per cent, is convinced that "nothing can be done because the world hates us".

Mr Simic says people have adjusted to a drop in their living standards, blaming the west instead of the Belgrade leadership. In fact, nine out of 10 people, according to the survey in Nin, feel hardest hit by the ban on international sports competition rather than the economic situation. The severing of cultural, sports, and educational links have devastated Serbian society. Tens of thousands of educated people have emigrated in search of future prospects.

Meanwhile, Serbia's geographical position undermines the sanctions. Despite its status as an international pariah, last month, Mr Milosevic was received in Romania with all the honours traditionally reserved for a head of state.

"Sanctions cost our neighbours. Even the rich countries do not have money to compensate these states. So the cheapest thing to do is lift sanctions," says Mr Avramovic.

Kravchuk defied over election

By Jill Barshay in Kiev and Agencies

The Ukrainian parliament yesterday voted to proceed with presidential elections, over-riding proposals for a postponement from the incumbent, Mr Leonid Kravchuk.

Mr Kravchuk, one of seven candidates registered for the June 26 poll, had asked parliament to delay elections pending a clear definition of the consitutional powers of the president, prime minister and government. But in the past few days he seems to have resigned himself to his fate.

He virtually abandoned his attempt to cancel the election less than a month away and has reluctantly relaunched his campaign. Before the vote, he softened his plea to deputies, saying: "I believe the election must take place. But it must take place only when supported by a legal basis. If parliament wants Ukraine to remain independent and democratic, it must take reponsibility to prepare these documents by June 26."

Deputies voted 201-69 in favour of a resolution which said postponing the election was impractical as the campaign was already well under way. The resolution called for parliamentary committees to set down the powers of state institutions within 10 days.

The vote against Mr Kravchuk's proposal represents a rare consensus in the Kiev assembly. The recently elected parliament, deeply divided between Russia-oriented leftists and Europe-leaning nationalists, is barely able to sit in the same room together while it waits for a third of its ranks to be elected. Kiev is threatened by separatism in its Russian-dominated Crimea region and an unresolved dispute with Russia on dividing the Black Sea fleet.

Mr Kravchuk's antics over the presidential election have added to the confusion. First he made "a final decision not to run" and floated a plan to cancel the election and rule by decree. Badly received, the plan was ditched for an alternative strategy: registering as a candidate, but launching a campaign of persuasion to postpone the elections.

Mr Kravchuk's repeated appeals arguing further elections would bring about a "vacuum of power" fell on deaf ears. While his control over the nation's media failed to earn him support, he took his postponement message to Ukraine's regions, cutting deals with local bosses. But his competitors, seeing Mr Kravchuk trails in polls in most of Ukraine, set up a momentum toward proceeding with the presidential elections.

North Yemen missile wounds 20 in Aden

By Eric Watkins in Aden

North Yemen's military forces, continuing to seek a military victory over their southern opponents, yesterday launched missile attacks on Aden in defiance of an overnight United Nations resolution calling for a ceasefire in the month-old civil war.

Southern leaders, acknowledging the seriousness of the situation, repeated their appeals for international help to end the fighting.

At dawn yesterday, hours after the UN issued its call for a ceasefire, northern forces fired two missiles at the city.

One exploded over the Sheikh Othman district, wounding 20 worshippers at a mosque, while the other was brought down by southern anti-missile barrages, causing no injuries.

Mr Abdul Rahman Ali Al-Jifri, vice-president of the breakaway south, condemned the attacks and appealed to the international community to bring more pressure on the north Yemeni leadership to stop the war.

He acknowledged the south's position was serious and that the next 24-36 hours would be crucial in its fight against the north.

Northern military units continued their ground advance on Aden, capturing the village of Sabir, about 8 miles from the outskirts of Aden. Other northern units, advancing eastward from Tur Al-Baha, were also reported to have arrived at Sabir and were poised for a final joint southward thrust to Aden.

The sound of heavy explosions resounded through Aden as southern jets resumed bombing runs from the airport, attacking northern troops based at Zinjibar, about 45 miles east of Aden.

Though bombed by northern jets nearly a month ago, Aden airport remains operational for military aircraft and has provided the backbone of the south's defence since hostilities began on April 27. Southern military officials said they still had air superiority over the north.

The northern leadership has stepped up its drive against the south during the past week, aiming to achieve a military victory before international pressure can be brought to end the war.

Apart from increased attacks on the military front, northern forces have also struck at civilian targets. Eight children were reported injured on Wednesday after a bombing raid on Aden by two northern jets aiming at an oil pipeline.

The jets dropped Soviet-made bombs containing 30-40 smaller explosive canisters. Similar bombs loaded with nuts and bolts hit Aden a week ago, causing extensive civilian injuries, western observers said.

Israel air raid kills up to 45 Hizbollah

By Mark Nicholson in Cairo and David Horovitz in Jerusalem

Israel yesterday launched its bloodiest air raid in seven years on guerrilla targets in Lebanon, killing up to 45 members of the pro-Iranian Hizbollah group in a dawn attack which provoked retaliatory rocket strikes from Hizbollah fighters into northern Israel.

Lebanese officials said four Israeli jets and two helicopters launched the raid on a mountainside Hizbollah training camp at Ain Kaoukaba in the eastern Bekaa Valley. Lebanese troops had fought off "an Israeli landing attempt" near Baalbek, close by.

Hours later, Hizbollah fighters in south Lebanon fired at least 25 Katyusha rockets into northern Israel, and a further nine into Israel's self-declared "security zone" in south Lebanon, hitting buildings in the Israeli coastal town of Nahariyya.

The Lebanese government condemned the raid as a "barbarian aggression." A statement called for a meeting of the United Nations Security Council to discuss the attack. President Elias Hrawi called it a disaster for Middle East peace hopes.

The raid came two weeks after Israel provoked anger in Beirut and Damascus with a dawn raid deep into the Bekaa to abduct Mr Mustapha al-Dirani, an Islamic militant suspected of having kidnapped Mr Ron Arad, an Israeli airman missing in Lebanon since 1986.

Mr Faris Boueiz, Lebanon's foreign minister, said 45 Hizbollah "martyrs" had died in yesterday's raid. Hizbollah sources put the death toll at nearer 30, but said the figure was likely to rise.

The exchanges were the most serious since Israel launched a week-long artillery and air bombardment of towns in south Lebanon last July, after a spate of Hizbollah rocket attacks. More than 120 people died in those raids, eight of them Hizbollah militants.

Hizbollah said yesterday it would make a "comprehensive response on all levels" against Israel, threatening to increase fighting in south Lebanon from the skirmishes which have continued between Israel, its proxy forces and Hizbollah since last July.

Mr Mordechai Gur, Israel's deputy defence minister, asserted the raid was a "pure and successful military strike." He said the Hizbollah militants killed had taken part in attacks on Israel or were training for future strikes.

Raised tensions in south Lebanon will further strain peace talks between Israel and Syria, whose leader, President Hafez al-Assad, has long used Syrian influence on Hizbollah as an important card in his talks with the Israelis.

The International Finance Corporation yesterday said it would subscribe to up to 25 per cent of the share capital of a new Arab Palestine Investment Bank and provide $15m for lending to 3,700 small and medium businesses in the occupied territories, writes Nancy Dunne in Washington. The Arab Bank Group, a commercial and investment group based in Amman, will hold 51 per cent, with the remainder held by European institutions and Palestinian investors.

Jobs priority at OECD and G7 meetings

By Peter Norman, Economics Editor

With 35m unemployed in the industrial world, it is no surprise that jobs will be topping the agenda of next week's annual ministerial meeting in Paris of the Organisation for Economic Co-operation and Development and the economic summit of the Group of Seven nations in Naples in July.

Underpinning the discussions of ministers of finance, labour, trade and foreign affairs from the 25 OECD member states next Tuesday and Wednesday will be an in-depth study by the OECD secretariat, containing 57 detailed recommendations, intended to form the basis of tailor-made policy programmes for individual member states.

Virtually all OECD member states face unemployment problems of some sort, which the OECD believes rest in an insufficient ability to adapt to a fast-changing world economy.

The OECD study, two years in the making and to be published late next Tuesday, puts the jobless problem in the context of globalisation and technological change, forces which have undermined many traditional patterns of work and overwhelmed many long-established responses to unemployment.

The paper's main recommendations are expected to detail how to:

- Enhance creativity and diffuse technical know-how. The OECD believes its members need to encourage high-wage jobs with high productivity, and that it is more important for countries to diffuse new technologies than create them.
- Increase flexibility of working hours. The paper will stress many workers no longer need to be pinned down to traditional working hours in office or factory because new technology allows them to work from home. Many households have two earners and not all workers want to work full time. But the study will warn against governments imposing work sharing.
- Encourage a more entrepreneurial climate in many member states. OECD economists have been struck by the ease with which companies can be set up in the US compared with parts of Europe.
- Increase flexibility of wages and labour costs. Potentially, this is one of the most contentious areas of the report. The US has created far more jobs than Europe, but at the cost, critics say, of creating poverty in work for the unskilled.

The OECD will focus on non-wage labour costs, such as employers' social security payments, which are very high in many European countries which also have inflexible wages.

It believes employment can be created in such countries if non-wage costs are cut and the resulting gap in government finances plugged through other taxes. But in the US, where wages are flexible and non-wage costs are low, increased levies, to cover health-care for example, should not hit employment.

- Weaken employment protection legislation, which has the perverse effect of discouraging job creation. This is a particular problem in some European countries such as Spain, Ireland, France and Italy.
- Encourage active labour market policies that link unemployment benefit with seeking a job or training. The OECD is convinced paying people for doing nothing is damaging.
- Improve the overall competence of labour. This goes beyond vocational training to ensuring member states have suitable school curricula.
- Overhaul, where necessary, the interaction of the labour market and social benefit systems to ensure help is targeted where it is needed and benefits do not act as a disincentive to job seeking and job creation.

The OECD paper will tell governments to maintain solid macroeconomic policies based on low inflation, sound public finances and sufficient savings to sustain investment.

Yeltsin seeks nuclear-free Korea

By Leyla Boulton in Moscow and Reuter

President Boris Yeltsin, in another display of Russia's newly assertive foreign policy, yesterday called for an international conference to make the Korean peninsula nuclear-free before attempts to impose sanctions on North Korea.

The Russian leader said that if such a conference failed to make North Korea, a former ally of the old Soviet Union, comply with the nuclear non-proliferation treaty it had signed, Russia and the world would have no choice but to turn to sanctions.

"Today, when no decision has been taken to convene an international conference, it is too early to talk about sanctions," he told a joint news conference with South Korea's visiting President Kim Young-sam. "If it got to the point where North Korea sought to undo the non-proliferation treaty, Russia will be forced to gradually begin to solve the problem: first to issue warnings [to North Korea] and then the world community must decide whether to impose sanctions on North Korea."

The crisis over North Korea's refusal to permit inspection of nuclear facilities deepened yesterday as Pyongyang threatened to scrap previous pledges and warned that sanctions against it could have devastating results.

But Mr Yeltsin said it was too early to talk of sanctions as long as a conference gathering North and South Korea, Russia, the US, Japan and China had not been convened. He said he would try to talk to President Bill Clinton, now on a tour of Europe.

South Korean President Kim Young-sam follows goosestepping Russian soldiers in wreath-laying ceremonies at the Tomb of the Unknown Soldier in Moscow yesterday. South Korea has won Russian backing for possible UN sanctions on North Korea on the nuclear inspection issue *Reuter*

In Rome Mr Clinton said he would press for international economic sanctions against North Korea if the International Atomic Energy Agency found Pyongyang violated nuclear safeguards accords.

The IAEA wants to inspect spent fuel rods being removed from a reactor to ensure the North has not diverted nuclear material for weapons purposes.

Taiwan generals are impeached

Taiwan's top government watchdog impeached eight generals yesterday for allegedly wasting taxpayers' money in an arms scandal involving upgrading of 32 anti-submarine aircraft, Reuter reports from Taipei.

One four-star general, two three-star generals, two major-generals and three lieutenant-generals formed the largest group of military officials ever impeached by the watchdog, the Control Yuan. The eight, who included Gen Kuo Ju-lin and Gen Chen Hsing-ling, former air force commanders-in-chief, were impeached because "the upgrading of S2T propeller planes lacked thorough planning and the negotiated price did not meet regulations", an official said.

"Delivery was delayed but there was no stipulation in the agreement for any penalty. Payment was made even before the upgrading was completed, wasting taxpayers' money and delaying upgrading of combat capability."

The Committee on the Discipline of Public Functionaries will decide what action to take against the generals. They could be dismissed if still in office but will not face criminal proceedings unless prosecutors decide on an inquiry. The impeachment could stop Gen Kuo, 73, a national policy adviser to President Lee Teng-hui, and Gen Chen, 69, a strategic adviser to the president, returning to office.

India steel plant doubts grow

By Kunal Bose in Calcutta

Long-standing plans to build a Rs64bn (£1.3bn) integrated steel plant near Calcutta, one of the country's largest investment projects, have been thrown into doubt following the withdrawal of Caparo, the UK engineering group, as principal promoter.

Mr Swraj Paul, Caparo chairman, said Indian economic reforms, though on the right track, had not progressed far enough to "attract industrial investment" and regretted steel was not given the "kind of priority it deserves". He blamed Indian state financial institutions for not committing sufficient funds.

Caparo had been ready to invest $90m (£60m) in the equity of Kalinga Steel, a company formed to implement the 1.5m-tonnes-a-year project at Daitari in Orissa state, south-west of Calcutta. The Orissa government, the joint promoter, was ready to contribute nearly $30m. Davy International of the US, according to Mr Paul, had been prepared to put $70m into Kalinga Steel but pulled out after failing to agree terms with the Indian financial institutions.

According to Mr Paul, "there is no way we can build a Rs64bn steel plant without a debt:equity ratio of 3:1. But the Indian financial institutions are insisting on a debt:equity ratio of 2:1" – although, he said, the higher gearing had been approved by the Indian Foreign Investment Promotion Board.

Mr Biju Patnaik, chief minister of Orissa, said the land earlier allotted to Kalinga Steel had now gone to Mesco, a diversified Indian business house, to put up an export-oriented steel plant. Mr Paul rejected an Orissa government proposal to import a second-hand steel plant which would have cut costs substantially.

Drugs revelations win Chuan a breather

Victor Mallet on opposition disarray that plays into hands of Thai PM's coalition

Few Thais were astonished when the government let it be known two weeks ago that 17 opposition politicians were suspected by the US of drug trafficking.

Thai politics is not for the squeamish, and the corruption and unscrupulousness of many politicians has never been in doubt.

But the latest round of drug revelations – which obliged the US to confirm that it had indeed blacklisted at least two opposition MPs already named in public – was adroitly timed to give the fragile coalition government a much-needed breathing space.

In March, the opposition had joined forces with the military-dominated Senate and thrown out plans to make the constitution more democratic. Since these reforms were among the main aims of the 20-month-old administration, some government supporters believed Mr Chuan Leekpai, the prime minister, would be forced to dissolve parliament and call an election.

So far he has avoided a dissolution. Government MPs have put a brave face on the defeat, saying that they can amend the opposition's own draft constitution enough to reach a satisfactory compromise, and they have simultaneously put the opposition on the defensive with a flurry of leaks about drug trafficking and other misdemeanours.

Mr Thanong Siripreechapong, an MP for Chart Thai (Thai Nation), the largest opposition party, was forced to resign after being accused of earning more than $10m (£6.6m) by smuggling marijuana to the US. Another Chart Thai MP was found by police at an illegal gambling den, and the usual cover-up to protect his reputation failed to take place. Yet another opposition MP who was refused entry to the US on suspicion of drug smuggling tearfully declared his innocence in parliament and accused the government of "a devilish and dirty tactic".

Government MPs have denied any campaign to discredit the opposition by leaking information on drug cases. "I must deny it," said Mr Akapol Sorasuchart, a government MP in Bangkok from Mr Chuan's Democrat party. But he added: "The timing is on the government's side, we must admit."

The publicity surrounding the scandals has infuriated Mr Banharn Silapa-archa, who recently took over the leadership of the Chart Thai party and is regarded as a possible future prime minister.

Mr Banharn is known as "the mobile ATM" (automatic teller machine) because of his generosity and his expertise in the traditional patronage-politics of Thailand. He has good contacts in the armed forces and the bureaucracy. Suphanburi, his constituency, boasts plenty of new roads and new schools and is jokingly called Banharn-buri by Thais.

But the scandals have been a setback for Mr Banharn's efforts to promote the opposition as a serious national alternative to the Chuan government, and he has vowed to avenge the Chart Thai party with "eye-for-eye, tooth-for-tooth policies in dealing with the government".

Mr Chuan, seen as the inheritor of the "angel" mantle of those who fought against the armed forces on the streets of Bangkok to restore democracy in 1992, is meanwhile under attack from the left as much as from the right.

By Thai standards the upper levels of this government are remarkably free of corruption, but liberals are incensed that Mr Chuan has backed down on the constitution – he at first wanted, among other aims, to reduce the size and power of the appointed Senate – and has failed to spread democracy to local government.

Mr Chalard Vorachat, a former Democrat MP, is staging a hunger strike outside parliament in Bangkok and says he will fast to death unless the constitution is thoroughly reformed. Mr Chuan can take little comfort from the fact that right-wingers have set up food-laden tables near Mr Chalard's tent and are mocking him by threatening to gorge themselves to death.

At least Mr Chuan does not fear an imminent coup d'etat in a country once famous for them; the army's influence is declining. The prime minister and his supporters say the civilian government has made a start in promoting economic development in rural areas and is presiding over an economy growing at a healthy 8 per cent annually.

But Mr Chuan's critics – including members of the Palang Dharma (Moral Force) party that is one of the five parties in the coalition – are uneasy about his willingness to compromise on the constitution and annoyed that he has yet to make a decision on how to solve Bangkok's notorious transport problems.

Negotiations on the constitution, conducted in a parliamentary committee dominated by the opposition, are likely to drag on for two or more months. There is also bound to be plenty of information about the dubious activities of opposition MPs that has yet to be revealed.

Neither the government nor the opposition parties seem confident at present about winning an election, although some political analysts believe MPs from both sides are manoeuvring for an election in September or October – a scant two years after the last one.

No elected government in Thailand has survived its full four-year term. Mr Chuan would like his administration to be the first to do so, but it would be hard to find a Thai politician prepared to bet any money on the idea.

A pro-democracy activist beside a panel depicting Hitler and Thai prime minister Chuan Leekpai sharing the same body. The large painting is positioned near hunger striker Chalard Vorachat outside the parliament building in Bangkok *AP*

Kenyan charged in central bank fraud

Kenyan police charged a local businessman yesterday with cheating the central bank of some 13bn shillings (£158m), the biggest fraud in Kenya's history, Reuter reports from Nairobi.

Prosecutors told Nairobi magistrate's court that Mr Kamlesh Pattni stole from or defrauded the central bank on 36 occasions between April and December 1993. Mr Pattni, 33, pleaded not guilty.

Mr Eliphas Riungu and Mr Lazarus Wairagu, who were sacked by the central bank last December, were charged as accomplices. They also pleaded not guilty.

Police said they would detain Mr Pattni until Monday when his plea for bail would be heard. The case is unlikely to be heard for several months.

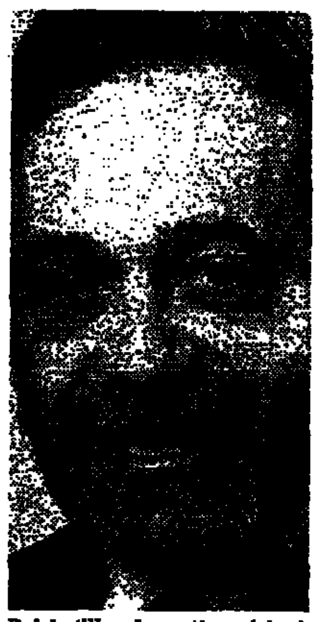
Economists said the figure was roughly equal to a sixth of Kenya's annual gross domestic product and was the largest fraud charge since independence from Britain in 1963.

It was not immediately known whether the charges were linked to $210m (£140m) which Mr Micah Cheserem, central bank governor, has said was lost in a forward foreign exchange contract with Mr Pattni's Exchange Bank.

Bankers says the alleged fraud was discovered last year when the International Monetary Fund questioned why the central bank had two accounts abroad.

US workers 'must share in decisions'

By Jeremy Kahn in Washington



Reich: 'Illegal practices rising'

Sustained employee participation in decision-making is a critical factor in increasing US economic performance, a panel appointed by the Clinton administration reported yesterday.

The Commission on the Future of Worker-Management Relations, known as the Dunlop Commission after its chairman, former labour secretary Mr John Dunlop, has undertaken over the past year one of the most comprehensive examinations of US labour-management relations in 60 years.

The Commission found that viable, high quality employee participation arrangements are rare because the structure of US labour law, which has not changed dramatically since the 1930s, makes managers wary of changing traditional decision-making hierarchies.

A survey by the commission shows that 40m to 50m US workers would like to participate in critical decisions on their jobs but have no opportunity to do so.

"Employee participation has grown and is designed to increase efficiency, performance and quality," Mr Dunlop said. "[But] the high performance workplace may well be limited in the eyes of employers by our existing statutory arrangements."

The Commission has not yet released its recommendations, which could change such fundamental aspects of US labour law as the National Labour Relations Act passed under the New Deal. The recommendations are due out this autumn. No area of current labour practices was sacred, Mr Dunlop said.

The Commission also found that most sectors of American society supported workers' rights to unionise and participate in collective bargaining.

In practice, it discovered employees could not always organise and elect representatives free from coercion and interference, by either management or union officials.

Mr Robert Reich, labour secretary, said yesterday the number of cases of illegal employment practices had increased recently among a small segment of US employers.

Mr Dunlop also said that his panel found the tremendous rise in rights and protections granted to individual workers over the last 50 years by both state and federal legislatures has led to a flood of litigation that can often interfere with workplace productivity.

Last year 46,000 complaints of alleged labour law violations were brought to the Department of Labour alone, Mr Reich said.

Business and government should also be alarmed by the commission's findings on the growing income gap, the largest of any industrialised nation, he added. Over time this rising gap between rich and poor, and educated and uneducated would, lead to a dramatic erosion in both productivity and competitiveness, Mr Reich said.

Cuban economy 'set to recover next year'

A senior economic policymaker tells **Stephen Fidler** of plans to tackle island's money glut

Cuba's economy will not return to growth until at least next year, and any recovery will be modest, a leading Cuban economic policymaker says.

"It seems to me that this year the economy is still facing a very, very difficult situation," says Mr Osvaldo Martinez, president of the Economic Commission of Cuba's National Assembly, "but I expect that next year it will be in a position to resume growth, though not in a spectacular manner."

Mr Martinez, in London last week with a delegation from Cuba's National Assembly, estimates that since the collapse of the Soviet Union, the Cuban economy has shrunk by 30-35 per cent – lower than many external estimates. The collapse – Cuba conducted 85 per cent of its commerce with the USSR and its former east European satellites – was followed by a big drop in Cuban trade. Exports from Cuba dropped from $8.1bn in 1989 to $1.7bn in 1993, he says.

Mr Martinez says the main problem facing the government is the big overhang of currency in the Cuban economy. A meeting of the National Assembly at the start of this month, following consultations with 3.5m workers, has provided the outline for tackling this issue, he says.

The government does not intend to apply shock therapy – "the type of neo-liberal policies as you see in Latin America. The task is to correct the internal financial imbalance and not to kill the social cohesion".

However, the government recognises that excess liquidity has had negative effects on the economy. "It hurts the discipline of work and the interest in work. It hurts productivity and efficiency and contributes to the development of the black market," says Mr Martinez.

Excess liquidity was estimated at the start of last month at about 11bn pesos – representing about 15 months of the population's earnings. (The peso is not convertible, but it is officially set at about parity to the dollar. The black market rate is around 100 to the dollar.) Some 60 per cent of this monetary overhang was in the form of deposits in savings banks, and the rest in cash.

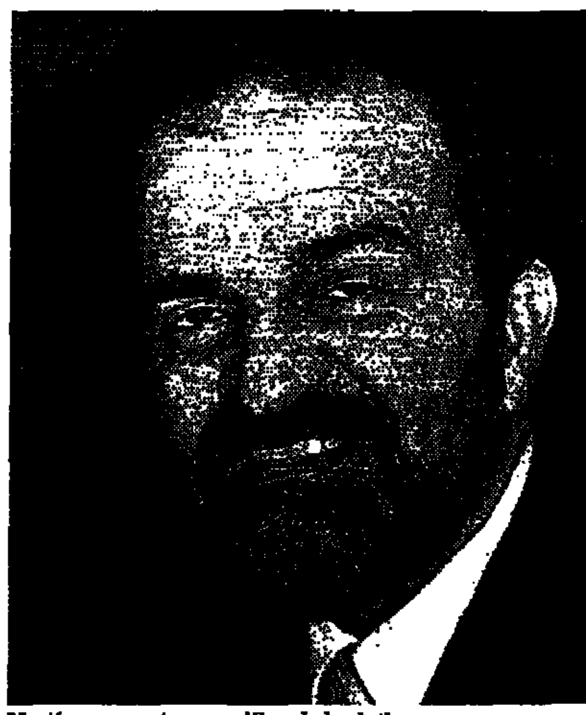
This is being made worse by a continuing budget deficit. It was 5.2bn pesos last year, and this year the government is aiming to reduce it by 24 per cent, mainly by reducing inefficiency in and cutting subsidies to state enterprises, he says.

The monetary overhang will be addressed in three ways. Policies would be aimed at encouraging savings; raising prices and eliminating subsidies and certain government gratuities, such as free water; and through the introduction of wider taxation. At the moment, only a few thousand Cubans pay income tax.

Price rises were announced last week, significant ones on products Mr Martinez describes as non-essential goods, such as cigarettes, tobacco, alcoholic beverages, and on petrol. Electricity prices will also go up, but by how much will depend on what is consumed.

"We think that we need not less than 18 months to see the problem under control," though the first effects of the policy will be seen before that. The aim, he says, is to "restore the purchasing power of our national currency". After the problem of excess liquidity is resolved, the possibility of making the peso convertible will be considered.

Asked about the crackdown on the rampant black market that also emerged from the National Assembly meeting, Mr Martinez says: "We are not thinking in terms of an economic solution. The repression of the black market is not a matter of an economic solution, it's a matter of elementary social justice.



Martinez: expect no neo-liberal shock therapy — Tony Andrews

"If we are asking Cuban workers to accept some sacrifices in order to balance the excess of liquidity ... it is necessary to act against the black marketeers who make profits from the exploitation of the people."

The economic solution to the black market "is to increase the production and efficiency of the economy," he says.

Asked whether a further freeing of the agricultural sector – producers must by law sell their produce to the government – is in prospect to increase farm production, he says: "We are not in a dogmatic position in this field or any other field." However, the 1980s experiment of peasant markets is "not a real solution" but a source of "speculation, high prices and intermediaries".

His prediction that the economy will improve is based on some improving indicators. "Foreign investment is going well in the conditions of the US blockade" – a reference to the US embargo, which he estimates has cost the Cuban economy $40bn since it was introduced in 1960. He says there are no official figures for the size of foreign investment but cites "academic estimates" of $500m. "It's not a big figure but in the conditions of the Cuban economy an important one."

He says tourism is going well. Last year gross revenues were about $700m – with visitor numbers of around 700,000 – providing a net contribution of $220m to the economy.

Oil exploration is on a rising trend, and national oil output rose last year to 1.1m tonnes, from about 800,000 in 1992.

He does not expect electricity shortages, already leading to significant power cuts, to get worse.

Leading indicators index stalls after rise in March

By Michael Prowse in Washington

The US official index of leading indicators was flat in April, after a strong 0.7 per cent gain in March, the Commerce Department reported yesterday.

Separate figures showed new orders for manufactured goods fell 0.1 per cent between March and April. On an annual comparison, however, orders were up a robust 9.1 per cent.

The figures followed reports earlier this week of a modest decline in consumer spending and home sales between March and April and a drop in the Conference Board's measure of consumer confidence last month.

The Purchasing Managers' Index – a guide to conditions in manufacturing industry – was flat in May.

Some analysts see the weaker tone of recent data as evidence that higher short- and long-term interest rates are beginning to exert a downward pull on growth.

The majority view, however, is that recent data reflect the natural volatility of economic statistics rather than a weakening of economic fundamentals. Economic series do not rise continuously even in strong expansions.

Most forecasters believe the economy is still growing faster than the 2.5-3 per cent annual rate regarded as sustainable in the long term. Gross domestic product is expected to grow faster this quarter than the 3 per cent annual rate registered in the first three months.

Falling share prices and an increase in weekly claims for unemployment insurance made the largest negative contributions to the leading index in April.

Venezuela restores right of economic freedom

The Venezuelan government has restored a constitutional provision granting the private sector freedom of economic activity, writes Joseph Mann in Caracas.

Wednesday's action, praised by businessmen, lifted the February 26 suspension of so-called "economic guarantees", which enshrine the individual's right "to freely engage in the economic activity of his choice" without undue government interference.

At the time of the suspension, the government of President Rafael Caldera said the measure would be temporary.

Businessmen were worried, however, that the government would use the suspension to wield special economic powers, such as extensive price controls. The previous suspension of economic guarantees lasted 30 years.

Ironically, on the same day as this move toward economic liberalisation, the cabinet approved a three-month extension of price controls on a wide range of pharmaceutical products.

Mr Alberto Poletto, industry minister, said however, that some "moderate" price increases would be permitted for medicines, and that it was not the government's "style" to decree price controls on a general basis.

Venezuela's central bank revealed on Wednesday that the consumer price index rose 5.2 per cent in May, the highest monthly increase in recent years. Most of the May rise was due to higher import costs related to a rapid devaluation of the Venezuelan bolivar during April and most of May.

Mr Julio Sosa, finance minister, said inflation this year was now expected to reach 50-60 per cent, compared with 46 per cent in 1993.

Brussels calls for new GSP trade plan

By Lionel Barber in Brussels

The European Commission yesterday recommended an overhaul of trade benefits for around 60 developing countries, with new incentives for improving environmental and labour standards.

The guidelines are part of a review of the generalised system of preferences which grants tariff advantages to developing countries to help them export to the EU market.

The GSP review, which takes place every 10 years, is part of a wide-ranging Brussels effort to update trade policy toward the developing world.

The Commission is waiting to hear views from EU ministers and the European Parliament before it decides on how to apply the new GSP scheme to specific countries and sectors. But the broad outlines of reform are already clear ahead of the Commission's ambitious deadline of January 1 1995 for starting the new scheme.

First, the Commission wants to offer extra trade benefits to encourage countries to pursue sound environmental policies and follow international labour agreements on the lines of the ILO convention. Brussels officials argue that this amounts to "positive" discrimination which should not therefore arouse opposition from Gatt.

Mr Pierre Defraigne, senior Commission official in charge of North-South relations, added that Brussels had deliberately underlined the link between social and environmental policies and trade.

Second, the new guidelines are supposed to be simpler to manage. Starting with Gatt's Most Favoured Nation status as a baseline, Brussels wants to offer new flexible rates which will decline progressively from 50 per cent, 75 per cent and 100 per cent of MFN.

Third, the goal is to reduce the number of countries eligible for GSP, with "super-competitors" such as fast-growing east Asian economies dropping out of the running. The criteria for GSP eligibility will be per capital GDP and the proportion of manufacturing for exports which directly competes with European products in the EU market.

Fourth, the Commission wants to introduce a safeguard clause "very close to the Gatt safety clause", said Mr Defraigne. This would operate against as yet unidentified "sensitive" products.

China can expect to benefit from GSP, though Brussels will put a ceiling on benefits because of the size of the Chinese economy. Similarly, Mr Manuel Marin, the EU Commissioner in charge of the exercise, is expected to press ministers to continue extra trade benefits for the Andean countries fighting drug trafficking. Venezuela and, possibly, Panama may also benefit.

GSP was long the favoured alternative for developing countries not advanced enough to take advantage of the Gatt multilateral trading system, which relies on members offering reciprocal concessions. In the wake of the progressive dismantling of tariffs under the Uruguay Round agreement, GSP is viewed as a complement to Gatt.

European production of spun yarn set to decline

By Jenny Luesby

The west European spinning industry is likely to suffer further sharp declines in output as production shifts to the Far East, according to a report* by Textiles Intelligence and the Economist Intelligence Unit.

The report predicts that spun yarn production in western Europe will fall to 2.3-2.6m tonnes by 2000, from a peak of 3.3m in 1987, in spite of technological advances and improved yarn quality.

The industry's fastest growth will be in China, India and Pakistan, where labour costs are low and raw cotton is locally available.

Asian producers of yarn will also benefit from the rapid growth in textile and clothing manufacturing in the Far East.

Conversely, as west European fabric and garment makers reduce the scale of their operations, European spinners will face an ever-declining market for their products, the report predicts, in a trend that will get worse as quotas are liberalised under the new Gatt agreement.

In the five years from 1987, only Italy, which accounts for 30 per cent of European spun yarn production, and the Benelux countries maintained production levels.

Other leading producers experienced sharp falls in output, with UK production off by 30 per cent and French production down by 27 per cent.

Cotton yarns are expected to be the hardest hit in Europe, with output set to fall by a quarter between 1991 and 2000. Synthetic fibre yarns also face sharp declines in output, of up to 18 per cent.

However, the wool spinning sector will be more resilient, the report predicts, declining by about 11 per cent.

The outlook is brighter in the US, where spun yarn production grew by 24 per cent in the 1980s, to reach 2.0m tonnes in 1991.

It is expected to stabilise at this level for the rest of the decade.

**World Markets for Spun Yarns: Forecasts to 2000. Textiles Intelligence and the Economist Intelligence Unit, Unit 151, Dartford Trade Park, Hawley Road, Dartford, Kent DA1 1QB. £295 or $525.*

Cosmo to receive rights to Abu Dhabi oil field

By Michiyo Nakamoto in Tokyo

Cosmo Oil, a Japanese oil wholesaler and distributor, is on the verge of receiving exploration and development rights to a new oil field in Abu Dhabi.

The Abu Dhabi authorities made the offer to Mr Yoshiro Nakayama, honorary chairman of Cosmo Oil, when he visited the United Arab Emirates in April, Cosmo said.

Japan accounts for about half of Abu Dhabi's total crude oil exports.

Negotiations are still underway, but if a deal is finalised it would help Cosmo to take its long-term goal of expanding its Middle Eastern production a step further.

It has been producing oil at the Mubarraz concession in Abu Dhabi since 1973 through a joint venture company with Japan Energy. However, output at Mubarraz has been on the decline from a peak of 30,000 barrels per day in 1979 to about 15,000 b/d.

An award of new exploration and development rights in Abu Dhabi could bolster Cosmo's financial performance. Exploration and production is where profits are to be made, although Japanese oil companies have concentrated on downstream operations, said Mr Nicholas Smith at Jardine Fleming.

Oil companies and the Japanese government have been keen to win development rights in the Gulf to ensure a steady source of oil for the country, which has few energy resources of its own.

Japan depends on the Middle East for 70 per cent of its oil imports.

But Japanese equity in international oil reserves accounts for only only 13 per cent of the country's total imports.

The Japanese government wants to raise this to about 30 per cent in the medium term.

Waging a war for US business

Guy de Jonquières interviews Clinton's export policy 'general'

Garten: 'We would prefer not to play this game at all'

As befits the son of a career soldier who grew up with General Douglas MacArthur's farewell address on the wall of his family home, Mr Jeffrey Garten has a penchant for military metaphors. When he talks about his job, his conversation is dotted with phrases like "no first-strike policy", "strategy" and "war room".

Mr Garten is not a Pentagon brass-hat, but the Clinton administration's under secretary of commerce for international trade. However, the martial imagery clearly fits with his convictions about the need for radical change in US national priorities since the cold war ended.

In his writings and speeches – which he turns out prolifically and at great length – he has pounded away at the theme that the overriding concern of policy today is no longer defending national security but a remorseless global battle for economic advantage.

As commander of the federal government's newly-refurbished export promotion drive, he is in the frontline of that offensive. And he has powerful backing from President Bill Clinton. Not only has Mr Clinton thrown much bigger resources at export promotion, but he has proudly claimed credit for pitching in to win a $6bn civil aircraft order from Saudi Arabia in February.

"I would be very surprised if we did not have many more successes," says Mr Garten, a 47-year-old former investment banker who is widely acknowledged to be one of the intellectual leading lights of the Clinton administration.

"In the past, export policy has been seen as a stepchild of the commerce department. Nobody's thinking that any more. It's now embedded in our perception that exports are what is going to make the US economy spin."

But while the administration basks in the early results of its foreign sales drive, they are provoking outrage abroad. The French government – itself no mean export promoter – is still fuming at the Saudi deal. Disappointed foreign bidders for a $4bn Saudi telecommunications contract, won by American Telephone and Telegraph last month, allege it was rigged politically in favour of the US company.

Mr Garten is unrepentant. He insists Washington is simply a late entrant in a game long played by other governments, notably in Europe and Japan. If they resent the US muscling in, they should not have started the ball rolling. What is more, he says, the US aims to play very hard indeed.

With the blessing of the White House, export promotion has blossomed into an administration-wide effort, co-ordinated at regular cabinet-level meetings involving officials from the state department and other federal agencies.

It all comes down to growth and jobs. Pulling out a set of flip charts, Mr Garten reels off figures showing how much exports have contributed to recent increases in US gross national product and well-paid employment. "We do not have the great luxury of saying this job is good and that job is bad. The first thing we want is high levels of employment."

But how does the policy fit with the globalisation of business, as companies increasingly source components and manufacture products worldwide? How can Washington be sure that support for American companies will end up benefiting workers in the US rather, than say, in Singapore?

Mr Garten insists his department vets every application for export assistance to determine its contribution to the domestic economy. But he admits that choosing between the relative merits of US-owned companies and local subsidiaries of foreign groups can be tricky.

So far, he says, the problem has arisen less in export promotion than in deciding whether foreign-owned subsidiaries should be eligible to participate in the administration's sharply increased funding for research and development in high-technology industries.

"This thing comes up all the time. We don't have the most consistent policy right now. They're very difficult issues ... and we know they're important," he says. Finding a solution is a high priority, he says, likely to require international negotiations.

Washington's assertive championing of national business interests also sits rather oddly with other aspects of its trade policy. Does it not, for instance, risk devaluing indignant US assertions that Japan's domestic market is rigged by politicians and bureaucrats in favour of national producers?

"We certainly can't mortgage our entire international economic strategy to perceptions of what we would like the Japanese to do," he says.

And asked how he would field objections from, say, Sweden, that the US may distort competition and discriminate against companies from smaller countries whose governments pack less international punch, he replies: "I would say that you engage in subsidised financing ... the Swedes are doing it. I haven't measured it, but if any government came in and said it was totally pure – first of all, if it's from Europe or Canada – I would be sceptical. You certainly couldn't expect US policy to be geared to the one or two countries that possibly could be pure."

If other governments really feel strongly about US tactics, he says, they should agree to sit down and negotiate more effective ways of eliminating export subsidies. Until that happens, the administration remains determined to lobby hard for US companies and match the competition, subsidy for subsidy, in bidding for contracts it really wants.

Mr Garten concedes that, in practice, budgetary constraints will compel the administration to be selective about the projects it backs. Already, he says, it is under pressure to improve the efficiency of its export promotion effort before requesting more funds from Congress.

Furthermore, for all his enthusiasm about the mechanics of the effort and the new resources at his disposal, he admits to more than a shade of doubt about the value of the purpose they serve.

"Without question, no good is going to come out of this. It would be vastly preferable to have a system where companies are competing on their quality and reputation, not on the subsidised financing they get. We would prefer not to play this game at all."

Toyota to export UK engines to Turkey

By Kevin Done, Motor Industry Correspondent

Toyota, the Japanese car maker, is to export engines from its UK plant at Deeside, Clwyd, to a new car assembly plant in Turkey, which will begin production in the autumn.

The supply of engines to the car plant at Adapazari, 100 miles east of Istanbul, will mark the first time Toyota has exported engines from the £140m UK plant. The Deeside engine facility began production in late 1992 and chiefly supplies engines to Toyota's £700m UK car assembly plant at Burnaston, near Derby.

Production of the Corolla small family car at Toyotasa, Toyota's joint venture plant in Turkey, is due to start in September. The Turkish company is owned 40 per cent by Toyota, 10 per cent by Mitsui, the Japanese trading house, and 50 per cent by Sabanci, Turkey's second largest industrial group.

Production is expected to total 2,000 in the final months this year rising to around 20,000 next year. Toyota said the plant's short-term prospects were uncertain, however, given the present sharp downturn in the Turkish new car market.

Toyota's Turkish plant will have an eventual capacity to produce 100,000 cars a year with a significant share of the engines to be supplied from the Toyota plant in north Wales.

The Deeside facility currently builds 1.6 litre petrol engines for Toyota's Burnaston car plant, and supplies components – blocks and crankshafts – to Toyota in Japan for 1.8 litre engines. The Deeside plant produced 29,000 engines in 1993, but this is expected to rise to around 70,000 this year.

In the six months to end-March it exported 45,000 cylinder blocks and crankshafts to Japan worth £2.5m. Toyota said the Burnaston car plant had reached an output level of 400 cars a day or 100,000 cars a year, the planned full capacity in the first stage of the project.

Output of the Carina large family car in the whole of 1994 would total around 90,000 compared with production last year of 37,314. Around 75 per cent of production would be exported to other markets in Europe.

● Citroën, the French car maker, is investigating participating in a joint venture in Malaysia. One report quoted a company official as saying Citroën had put forward proposals to build diesel engines for Malaysian-made Proton cars, Kieran Cooke adds from Kuala Lumpur.

Last month Dr Mahathir Mohamad, Malaysian prime minister, visited Citroën's factories in France. Malaysia makes the Proton in co-operation with Mitsubishi of Japan. Later this year Malaysia is due to start producing another car in co-operation with Daihatsu of Japan.

Dr Mahathir has said the transfer of technology by the Japanese has not been fast enough and has suggested sourcing car components from other countries.

$100m joint venture to extend UK network

By Andrew Adonis

Nortel Matra Cellular, the mobile communications equipment joint venture between Northern Telecom of Canada and Matra of France, has won a $100m contract to extend One-2-One, the UK digital cellular network launched last September.

The contract marks a significant advance for Nortel Matra, which makes its cellular infrastructure in Paignton, England, and in France, as it seeks to establish itself as a supplier to Europe's new digital cellular network operators. Ericsson, the Swedish supplier, installed the first section of One-2-One's network.

Nortel Matra said it won the contract because of its advanced "smart antenna" technology, giving its cellular base stations for One-2-One's digital Personal Communications Network (PCN) system greater range than those of other suppliers.

In 1990 Northern Telecom bought STC, one of the UK's largest telecoms suppliers, and has used the UK as a base to expand into mainland Europe.

One-2-One, which now covers only the London region, aims to extend to the UK's top 30 conurbations by 1996. With the launch in April of Hutchison Microtel's Orange network, the UK has four cellular mobile operators. Cellular operators in France and Germany will start building PCN networks this year.

C&W may revise Irish offer

By Tim Coone in Dublin

Cable and Wireless(C&W), the British telecoms company, says it will probably have to revise its offer for a minority stake in Ireland's state Telecom Eireann, following the government's decision earlier this year to invite other bids for a joint venture with Telecom.

Mr James Ross, C&W's chief executive, in Dublin to talk to institutional fund managers, said C&W was keen to establish a tie-up with TE.

But its proposal, made three months ago to the Irish government to take a minority stake in Telecom Eireann through a new joint venture, "should probably be put aside" in favour of a revised offer, since the decision to invite other bids.

The offer is thought to be worth up to I£500m ($742.5m). C&W's interest would be to develop TE's customer service.

Growing number of people earning less than half average national wage, study shows

UK sees widening of income gap

By John Willman, Public Policy Editor

The proportion of the UK population with income below half the national average has more than doubled in the last 30 years, according to a report published by the Institute for Fiscal Studies yesterday.

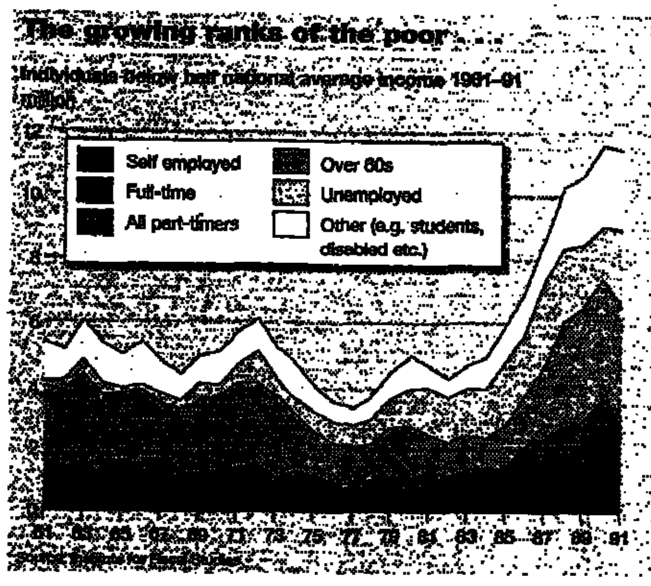
In 1961, about 10 per cent of the population – 5m people – had incomes below half the national average. This fell to just over 3m in 1977, but by 1991 it had risen to to 11m, 20 per cent of the population.

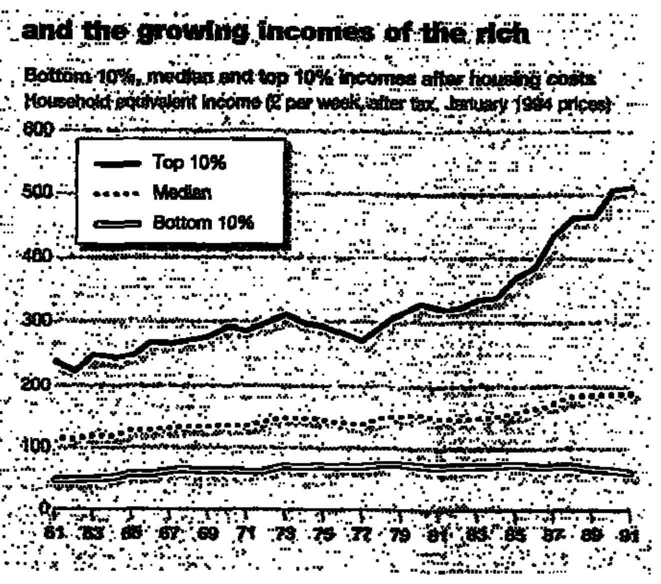
The report says that the share of income going to the poorest tenth in society fell from 4.2 per cent to 3 per cent in 1991, with most of the fall occurring in the 1980s. The share of the richest tenth rose from 22 per cent to 25 per cent over the three decades.

The report is based on a study of living standards in the UK over the past three decades funded by the Joseph Rowntree Foundation, the social research organisation.

It shows that the income of the poorest tenth increased 57 per cent between 1961 and 1991. The income of the richest tenth rose by 113 per cent, while average incomes grew by around 84 per cent.

However, rising housing costs mean that the income of the bottom tenth net of housing costs barely rose over the three decades. For this group, income after housing costs was no higher in real terms in 1991 than in 1967. The income of the richest tenth after housing costs almost doubled in this period. The report also shows that the long-term rise in unemployment has become a significant factor in the changing pattern of low incomes during the period.





Families with children now account for almost 50 per cent of those on less than half average income, compared with just over a third in 1961.

There has also been an increase in the number of self-employed at the bottom of the income scale, reporting very low or zero profits. The report says their growth in the 1980s suggests that some are forced into insecure and low-income forms of self-employment.

The number of pensioners below half average income, which fell from 2.3m to just under 1m between 1961 and the early 1980s, has risen sharply to 3.4m in 1991. The ending of the link between the state pension and average earnings is largely responsible for the surge, the study says.

Part of the growth in inequality is caused by growing inequalities in earnings, the report says.

But inequality of income from self-employment and investments is growing faster and becoming increasingly important.

The rise in inequality during the 1980s dwarfs the fluctuations in inequality in the 1960s and 1970s, the report says.

It also finds that average incomes have grown steadily more quickly since 1960 in the south of England than in the rest of the UK.

Editorial Comment, Page 15

Legal climbdown on student selection

More than 250 students who had been denied places at barristers' training school by a controversial new selection procedure which ignored degree results have now been accepted, following a climbdown by the administrators of the legal profession, Robert Rice writes.

The new system was based on a mixture of academic qualifications and psychometric tests. It was designed to pick the best 800 from a record 2,400 applicants for the one-year vocational course – the only route to becoming a barrister.

But the procedure provoked outrage among students and university law teachers after hundreds of students with first class and 2.1 degrees, including more than 60 who had been awarded scholarships by the four Inns of Court, were rejected.

The selection system had also been criticised for discriminating against ethnic minorities and women. Of the additional offers, 42 per cent were made to women and 19 per cent to ethnic minority students.

Britain will seek exemption from Euro-plug rules

By Philip Stephens

Mr Michael Heseltine yesterday committed the government to seeking an exemption from any attempt by the European Union to standardise electric plugs and sockets.

But as the trade and industry secretary played down any suggestion that such a move was imminent, he appeared to acknowledge that it would be impossible to block through use of the national veto.

Pressed on whether standardisation could be pushed through under the majority voting system applicable to the single European market, Mr Heseltine insisted that present discussions within Cenelec, the European standards body, did not amount to firm proposals.

Speaking during the European elections campaign, Mr Heseltine said that the government had commissioned a study of the costs of such a switch to "arm itself" against the possibility of a proposal from Brussels.

The DTI study says UK consumers would face a bill of £78m a year for 40 years if the country moved to European standards. For the moment it was a "non-issue", said Mr Heseltine: "We now have the facts. If proposals do emerge, we want very much to be in the position where we can secure a derogation for Britain."

Cenelec is working on the final draft of a common standard for plugs and sockets across Europe. The draft will then go to national standards councils for approval.

Mr Heseltine also yesterday flatly rejected any easing of restrictions which prevent British Telecommunications from using its network to provide entertainment services.

As the Labour party used the launch of an industrial competitiveness document to pledge it would scrap the ban, Mr Heseltine insisted that any such move would represent a "grave breach of trust" by the government.

Accusing Labour of irresponsible opposition politics, Mr Heseltine said the restrictions had been introduced to allow other companies to catch up with BT's monopoly when it was privatised.

British Chambers of Commerce meeting

Business leaders 'must recognise responsibilities'

By Paul Cheeseright, Midlands Correspondent

Boards of UK companies will have to give greater recognition to their responsibilities towards employees and society, Sir Adrian Cadbury, chairman of the committee on corporate governance, warned yesterday.

Speaking in Birmingham to 500 executives at the annual conference of the British Chambers of Commerce, he said this could form part of a process which would bring about some convergence between British and continental European practice.

Underlying his remarks was the thought that the form of company boards will change, given UK membership of the European Union. Sir Adrian said the UK viewed a company as a capitalist enterprise, while those in continental Europe saw it as a coalition of interests and partnership between capital and labour.

Sir Adrian said that if there was to be a convergence between these two notions British boards would have to recognise a wider responsibility while continental companies would have to pay "more regard to shareholders' rights and Anglo-American standards of disclosure, especially if they want to tap international sources of equity finance".

Another speaker, Mr Paddy Ashdown, Liberal Democrat leader, told the conference that chambers of commerce should be given a statutory role, as they have in Germany. Companies would have to belong to the local chamber and in return they would have the benefit of a single voice when speaking to government and a single framework for training.

But he made his strongest comments to advocate a stronger voice for the UK in the EU, a subject about which smaller companies have a distinctly cool view, a survey by the British Chambers of Commerce found.

The survey of 364 small companies found 72 per cent opposed to the EU becoming responsible for wider areas of policy.

But 60 per cent of the companies said they had not been affected by the single European market and slightly more did not know the name of their member of the European parliament.

More than half claimed to have had no benefits from the single market.

Some of the money raised by Britain's new national lottery could be used to clothe British politicians in the best British tailoring, Ms Jean Muir, the veteran fashion designer, and a former designer for Jaeger, suggested to conference delegates.

She said Savile Row tailoring had influenced the world: "The Italians built an industry on it, Americans aspire to it. The Japanese flock to buy the very wonderful best-quality men's cloth we really still do make in this country.

"But wouldn't we all really feel better if all the bodies of our politicians of whatever shape, size and denomination were clad everyday in the great tailoring of this country. We may even approve a bit from the ubiquitous lottery to pay for it."

Mr Paddy Ashdown, the Liberal Democrat leader, told delegates he dressed "courtesy of Marks & Spencer."

BMW chief sets cost-cut target

By Paul Cheeseright

Further attacks on costs at the combined BMW-Rover motor group have been foreshadowed by Mr Bernd Pischetsrieder, the BMW chairman.

Speaking at the British Chambers of Commerce conference, he said that, in the European motor industry, "the objective is to reduce the general level of costs by between 20 per cent and 30 per cent within two years."

Both BMW and Rover had been "farsighted enough to start this process of restructuring in good time, in this way coming out of the recession without any major problems," Mr Pischetsrieder said.

He did not specify how much further the restructuring in both companies had to go. "We have to increase productivity by four to five per cent a year on an ongoing basis."

But he indicated that Rover would be allowed to continue its restructuring independently.

"It is not our objective to integrate and bring together as many corporate functions as possible, in this way superficially reducing our costs. Instead, we wish to pool the specific skills and abilities of the two companies, working together to capitalise on our larger market," he said.

Mr Pischetsrieder sought to allay continuing fears that Rover's interests will be progressively subordinated to those of BMW.

"There will be no overriding holding company, the two companies being guided instead by joint committees," he said.

He said Rover would maintain its research and development capacity. "To have an individual car company as a partner in the UK, we have to maintain the capacity for R&D in the UK and even to increase it."

The Rover 800 model will be replaced, even though in some respects it competes with BMW models.

Mr Pischetsrieder said that Rover sales in Germany had increased by 100 per cent in the last two months and production volumes were 25 per cent higher than a year ago.

Tories 'face disaster' in European election

By Kevin Brown, Political Correspondent

Mr John Major last night hardened the tone of his attacks on European integration as an opinion poll suggested that the Conservatives face disaster in the elections on Thursday.

A Gallup poll in today's Daily Telegraph newspaper puts the Conservatives in third place behind the Liberal Democrats and more than 30 percentage points behind Labour.

It estimates support for the Conservatives at just 21 per cent, compared with 21.5 per cent for the Liberal Democrats, and 54 per cent for Labour.

The gap between the Conservatives and Labour is the biggest since the debacle over the poll tax in 1989, when it stood at around 30 percentage points.

The poll suggests that Labour that is on course for a landslide victory in the European elections, while the Conservatives could be reduced to a handful of seats.

The only consolation for the Conservatives is that the poll was carried out between May 25 and May 30 – before the prime minister launched an attack on EU integration at a rally on Tuesday.

Conservative strategists believe that his concept of a multi-speed Europe, in which member states progress at different speeds, offers the best hope of persuading Tory supporters to vote.

Senior officials said last night's speech was intended to shore up the Conservatives' image as the strongest defender of British rights in the EU.

In his most forthright comments of the campaign, Mr Major said he was unrepentant about his criticisms of the EU, and insisted that "Europe has gone wrong in recent years".

He pledged to campaign for an open Europe in which the weight of bureaucracy and regulation was dramatically reduced, and which was not "the remote preserve of an elite circle of politicians and bureaucrats".

Mr Major said he would not moderate his approach to Europe, which has been criticised by European political leaders, including Mr Leo Tindemans, head of the European Peoples' Party grouping, to which Conservative MEPs are allied.

"I will be critical where I must. Difficult if I have to be. I would rather speak up and put the case for what I know to be right for Britain, than clink glasses in agreement with something that is wrong," he said.

The Gallup poll is likely to trigger renewed speculation about Mr Major's vulnerability to a leadership challenge in the autumn.

However, Mr Major dismissed suggestions that he might be forced from office by a poor election result. "My situation would be exactly as it is now. I will continue to carry on the work I am doing," he said on BBC local radio.

Admiral William J Crowe, the new US ambassador to the Court of St James, leaves his embassy yesterday for Buckingham Palace to present his credentials to the Queen. Ambassador Crowe, 69, is a former commander-in-chief, Allied Forces in southern Europe, and for four years served as chairman of the joint chiefs of staff under President Ronald Reagan Photograph: Ashley Ashwood

VAT-man calls time on drinks 'for work'

By Andrew Jack

Strawberries at Wimbledon have long been ineligible, but businesses may soon be unable to claim back tax on their costs at trade fairs if they offer their clients a beer.

HM Customs & Excise yesterday threatened a clampdown on corporate hospitality in response to over-enthusiastic claims by companies for rebates of value added tax on business entertainment.

The agency believes goods or services bought for business entertainment should not be eligible for VAT refunds, even if they are partly used for other more serious and sober business activities.

European and English law has long prevented VAT relief on pure business hospitality, but it has left a grey area when it comes to other business activities which include an element of entertainment, for example, trade fairs. In the light of a series of contradictory VAT tribunal and court judgments, Customs said it would seek guidance from the courts.

The problem started with a small company based in Cardiff, which tried to claim back as office expenses some of the VAT on its costs for maintaining a box at Cardiff Arms Park, the Welsh national rugby stadium. The company insisted it used the box primarily as an office and only incidentally for entertaining clients at the weekend. The VAT tribunal was unconvinced and forbade any rebate.

It took the same sceptical view of a rebate claim from Thorn-EMI, which asked for VAT back on some of the costs of running its hospitality chalet at the Farnborough Airshow.

But the High Court upheld the company's claim in March, arguing that its chalets were temporary offices and that it was possible to apportion expenses between business and entertainment costs. Customs said it would take the case to the court of appeal.

Britain in brief

Rate warning as house prices fall

Halifax Building Society, Britain's biggest mortgage lender, has reported the biggest monthly fall in house prices for 12 months and warned the chancellor not to damage the fragile housing market by raising interest rates.

Halifax said UK house prices fell on average by 1.6 per cent during May compared with the previous month. It is the second month in succession that the society has reported a price fall. In April, prices fell 0.3 per cent.

Mr John Wrigglesworth, housing analyst with stockbroker UBS, said he was halving his forecast for house price increases in 1994 year from 7 per cent to 3.5 per cent after the Halifax survey. "This is a serious wobble on the road to recovery," he said.

Tax increases in April and a rush to complete purchases ahead of the ending of fixed price mortgages, which caused a bunching of sales earlier this year, were the most likely causes for the decline, it said.

Commercial rents rise

Commercial property rents have risen for the first time since 1990, according to figures from Hillier Parker, chartered surveyors. This is further evidence of a turnaround in the rental market, which has fallen steeply in recent years as a result of the recession and an oversupply of property.

Average property rents, which bottomed out at the start of the year, have risen by 0.8 per cent over the past three months.

Scott declines to alter inquiry

Lord Justice Scott has rejected a call from the Labour opposition party to extend the terms of reference of his arms-for-Iraq inquiry.

A letter signed by the inquiry's secretary, Mr Christopher Muttukumaru, states: "He [the judge] believes that to seek to extend the terms of reference as you suggest will cause unacceptable delay." Lord Justice Scott has said he believes it is in the public interest for his final report to be published as soon as possible.

Earlier this week Labour urged the judge to extend his inquiry to bankers and businessmen who have been involved in Britain's arms trade with the Middle East.

The judge was also pressed to extend the time period covered by his inquiry. Mr Muttukumaru says "relevant evidence" from some businessmen "is being, and will be obtained". He makes clear that the judge is poised to start writing his report for publication before Christmas after gathering evidence, mainly from civil servants and ministers.

Walker 'driving force' in fraud

Mr George Walker, former chairman and chief executive of Brent Walker, the property and leisure group, fraudulently inflated the company's profits in the mid 1980s to mislead investors and creditors about the financial health of his business empire, it was alleged at the Old Bailey yesterday.

Mr Walker was the "driving force" behind a fraud which also involved the theft of £17m from the company and complex misrepresentations of the company's accounts to conceal the dishonesty from the outside world, the prosecution told the jury on the first day of the trial of Mr Walker and Mr Wilfred Aquilina, former Brent Walker group finance director.

Mr Walker faces four charges of theft involving a total of £17m, two charges of false accounting and one of conspiring to falsify the Brent Walker accounts to overstate the company's profits and assets. Mr Aquilina faces one charge of the theft of £4.5m, three charges of false accounting and one of conspiring to falsify the company's accounts. Both men deny all the charges.

Introductions to angels

A national database designed to bring together private investors – or business "angels" – and unlisted companies requiring risk capital has been launched in London.

Enterprise Adventure, the private company which is launching Venturelist, will join other UK introduction services trying to marry investors and companies. Similar agencies have attempted to launch national databases before, but Venturelist is the first attempt to provide the service electronically, allowing angels to access the system through a personal computer.

Gas pricing system agreed

Ofgas, the gas industry regulator, has broadly accepted a proposed pricing system put forward by British Gas for the use of its transportation and storage system by its own trading arms and commercial rivals. The regulator said the new methodology would lead to a price reduction of 2.7 per cent in October.

The system will for the first time apportion the costs of sending gas through the different tiers of the national gas grid. The decision clears the way for the separation of British Gas' two trading arms – Contract Trading and Public Gas Supply – from TransCo, the new name for the company's pipeline and storage division. The introduction of competition and the need to separate trading and transportation functions has required the former monopoly to devise pricing guidelines.

Robert Mauthner

A service of thanksgiving for the life of Robert Mauthner, Diplomatic Editor of the Financial Times, who died on May 18, will take place at St Bride's Church, Fleet Street, London, on June 29 at 12 noon

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George Orwell's 1994

Simon Gibson explains why the language that a company uses can have a direct effect on its financial performance

A company's fortunes are expressed by its figures, but its future is caught in its language. While numbers are merely red or black, the words that a company uses in its corporate speeches, articles and annual reports open up a window on the way that management is thinking. Indeed, they show whether it is thinking at all.

Companies today are required to communicate more regularly than ever before, both to internal and external audiences. Many cope admirably, many others fail. All too often executives resort to management-speak rather than using clear and original expression.

The struggle against the corruption of the language goes beyond the concern of the corporate communications director – it is a business issue. Indeed, one can argue that the language that a company uses can have a direct effect on its financial performance.

The enemies of clear expression are not unique to the world of business. They are language's common foe, given new clothing. In one of the great essays on this subject, *Politics and the English Language*, George Orwell listed a number of "bad habits which spread by imitation", which he believed were signs of the corruption of political thought at that time.

These bad habits included: pretentious diction, meaningless words, dead metaphors, hackneyed phrases, cliche and jargon. It is a list that one could level at today's business communications with equal legitimacy.

Perhaps the most obvious villain is jargon. The language of business is full of it: empowerment, downsizing, proactive, business re-engineering, networking. These are just a few of the jargon words that are trotted out at innumerable business meetings.

The argument is not specifically against industry coining technical words to describe its processes, but rather against the misuse of such technical terms. Indeed, certain industries have built up their own vocabulary of technical words that when used are quite precise.

Frequently, the problem occurs when words are borrowed from other activities in an effort to mystify the business of business. For example, "downsizing the headcount" sounds more cerebral, worthy and expensive than "giving people the sack". Equally, it seems that everyone who has been given the sack recently has not been made redundant, but has become a consultant.

Words to remember: George Orwell's guidelines for clear expression are still sound

Consultants are often the worst offenders when it comes to the use of jargon, presumably in the vain attempt to remain part of the corporate club.

Some will see these accusations of the corruption of language as a crusade against Americanisation. It is not. Silicon Valley may be responsible for some of the worst excesses of techno-babble, but these are only injurious when misused. Again "downsizing" is a good example. When applied to computers it is a forgiveably neat way to describe the migration from mainframe to client-server technology; applied to people it is simply dehumanising.

Nor is the argument an elitist one, part of an effort to protect the purity of our culture in the way that the French establishment is currently attempting.

The argument is simply against the use of language without meaning or with false meaning. Too often meaningless words or phrases are used simply to indicate that the speaker belongs to the middle management club. "Vision", "challenge", "short-termism", "whither", "I hear where you're coming from", "we need to manage change", "think global, act local" are all typical examples. Describing business partnerships as "getting into bed with" someone was another common example of this trait; often heard in the 1980s it has fortunately gone out of fashion.

Another feature of this language of acceptance is what one might term the proposition of the indisputable. For instance, phrases such as "people are our most important asset", "I'm with Cadbury on that one" or "we are committed to giving our shareholders a sound return on their investment", are all so palpably blessed with holy oil that no one would dare argue against them. Anyone caught using them is probably begging as many questions as they are attempting to answer.

When was the last time you can remember someone daring to question a speaker who extolled the values of "total quality management" or of being "market-driven"? Yet phrases such as these are frequently misused and most often employed by people who have not thought sufficiently about quality or the marketplace. They are merely camouflage.

Without them, without cliché, jargon and other dead language, most businesses would work better. So what should govern the way that companies and those in business express themselves?

Prescriptive lists are always dangerous. Language is far too individual to be shackled by too many rules. However, there are good guidelines. Orwell suggested the following:

- Never use a metaphor, simile or other figure of speech which you are used to seeing in print.
- Never use a long word when a short one will do.
- If it is possible to cut a word out, always cut it out.
- Never use the passive where you can use the active.
- Never use a foreign phrase, a scientific word or a jargon word if you can think of an everyday English equivalent.
- Break any of these rules rather than say anything that is outright barbarous.

These guidelines are still sound. If a company were to banish the bad habits and take up Orwell's principles, managers would have less camouflage to hide behind. Employees would be more likely to think for themselves.

In the process some startling things might be discovered: for example, that people may not be the most important asset of the company or that shareholder value may not be the only golden rule for senior management. Above all, clear language both encourages and reflects clarity of thought and, in business, isn't that the only real asset a company can depend upon?

CHRISTOPHER LORENZ

Top dogs bark up the wrong tree

It is time top managers admitted the truth. Most of them are indulging in a convenient but simplistic fiction when they repeat the standard mantra that the biggest barrier to radical change in their organisations is front-line employees or, more often, middle management. The reality is frequently much more painful: that the most intransigent group is top management itself.

In a few high-profile cases over the past couple of years, this has become so obvious that outside directors or institutional shareholders have been forced to have the top man removed. Notable examples include Digital, General Motors, IBM and Kodak in the US, and Midland Bank in the UK.

But in almost all these instances action was taken long after the top man had caused serious damage in one of several ways: by allowing the first sparks of the company's strategic crisis to develop into what experts in change call a fully-fledged "burning platform"; by failing to douse flames which were already burning when he took over; or by failing to change the team – whether literally or figuratively.

It is far from unknown for recalcitrant members of a top team to be elbowed or frozen out by its leader, or by their peers. But, all too often, top-level resistance to radical change in strategy, organisation or culture is tolerated by executive colleagues reluctant to invite criticism of themselves, or by outside directors loath to rock the boat. Sometimes, as the top team directs all its attention to the minions below, it does not even recognise that it has a problem itself.

In the past three weeks I have attended two discussion dinners of top managers trying to grapple with change. The first was billed by the organisers as focusing purely on the top team. The second was more wide-ranging, but promised to include some debate about the top.

On each occasion, discussion slipped quickly away from "us" on to much more comfortable ground: what "we" can do to get "them" to become more flexible, customer-responsive, open-minded, speedy, and so on.

The same phenomenon was in evidence last week at a conference on radical change, when a string of top managers blamed their organisations' inflexibility and other inadequacies on what several called the "mushy middle".

All of which makes very timely a research project which Don Laurie, a consultant, has undertaken into what he calls the changing "work of a leader" in improving the customer-responsiveness of organisations.

Unlike the usual sort of wide-eyed study of leaders' characteristics, Laurie concentrates on the actions they actually take. He focuses mainly on the top, although he also deals with the need for "distributed leadership" at all levels of an organisation.

As the top team directs all its attention to the minions below, it does not even recognise that it has a problem itself

His research, which he is turning into a book, has one obvious limitation. It relies heavily on one-to-one interviews with a blue-chip (all-male) list of two dozen high-profile US and European chairmen, chief executives, presidents and managing directors. They include Sir Colin Marshall of British Airways, Jan Timmer of Philips, the electronics group, Elserino Piol of Olivetti, John Duerden of Reebok International, and the heads of Goldman Sachs and Chemical Bank in Europe.

So the study's findings are coloured heavily by the leaders' self-perception, although this is tempered by Laurie's own experienced judgment. But his focus on the top man and his team provides insights aplenty, especially into the prevalence at that level of deep-seated resistance to change.

Effective modern leadership is very different from the traditional exercise of authority and power, and the handing-down of detailed, "technical" solutions, Laurie concludes. "An awful lot of leaders are authority figures, they're not performing the act of leadership," he complains.

That consists of mobilising the people in an organisation to confront difficult problems themselves, and helping them adapt to the challenges and uncertainty which arise as a result.

Paradoxically, in addition to listening, "coaching" and other supportive behaviour, this often involves maintaining a fair degree of instability in the organisation.

One obvious source of resistance to change which Laurie identifies is the preponderance of control-types on most top teams, and the lack of creative minds. Another is the tendency of many top managers to behave, not as a cohesive team, but as warring barons, each defending their own departmental, divisional or personal constituency; Laurie quotes a colleague's view that "a top team working together is an oxymoron".

A more surprising cause of resistance is the failure of many chairmen and chief executives to listen to their top colleagues, to understand them as individuals, to perceive clearly their strengths and weaknesses. Bernard Fournier, head of Rank Xerox, places particular emphasis on overcoming what he calls people's "unconscious incompetence". This can only be done by communal learning from mistakes, he says.

That, in turn, requires real openness and considerable argument – the lack of which, says Laurie, is a further cause of resistance at the top. Without openness, recalcitrant team members will avoid commitment at meetings, and then reinterpret supposed agreements. Or they will sabotage a decision – usually by blackening a colleague's reputation.

As Laurie argues, the instinct of many top managers is to continue furthering their own interests. They are loath to become team players – and then to challenge much of what they have stood for. But unless they do, neither will the people beneath them.

PROPERTY

Tenant in the driver's seat

Developers are losing out in Berlin, says Judy Dempsey

Chancellor Helmut Kohl's dithering over setting a date for the final transfer of the government from Bonn to Berlin is dismaying property developers. The industry believes the move could usher in a period of renewed property activity, boosting prices and demand.

Initially, Mr Kohl said the transfer – decided by a narrow vote in the Bundestag, the lower house of parliament, in June 1991 following unification – would take place by 1996, but the move has now been postponed to the end of the decade.

On Wednesday, the cabinet agreed on where ministries would be located in Berlin. However, because of soaring costs, not all ministries will be housed in new buildings, as originally envisaged. Many ministries will be put into old buildings which housed the former imperial, Nazi and communist administrations.

The finance and economics ministers will move to the building which now houses the Treuhand privatisation agency (originally the headquarters of the Luftwaffe). The chancellery will be one of the few institutions to be given a new site, close to the former Reichstag parliament building.

The sharply scaled-back plan will save about DM1bn (£400m), reducing the overall cost to DM20bn.

This week's decision comes as an anti-climax for Berlin's property developers, which had been expecting a bonanza in either renovation work or new constructions, but at a much earlier stage.

"We cannot wait around for Bonn to make up its mind. We just have to get on with it," said Mr Michael Spies, manager of Tishman Speyer, a US company which is building an office and retailing complex along Friedrichstrasse, in the Mitte, the old heart of Berlin.

The government's decision to make Berlin the new capital of united Germany has had a big impact on property prices in the city. When the Berlin Wall was breached in November 1989, developers rushed to the eastern part of the city. Over the next two years, prices soared. However, the government's delay in moving to Berlin has frustrated the market, leading to a price correction: office rents in prime locations, which reached a peak in 1991 of about DM120 a square metre, have fallen to between DM60 sq m and DM70 sq m, and in some areas such as

Berlin's Reichstag building, new parliament for united Germany

Leipziger Strasse, to as low as DM45 sq m. The question today is what impact these shifts in prices will have on investors.

There are two broad methods of property financing in Germany. In the west, many properties are financed by open-ended funds – dedicated investment vehicles similar to unit trusts. The properties these funds purchase usually have a relatively secure rental flow; however, the funds have few tax advantages. Closed-end funds in the east were set up by the federal government in 1991 in a bid to attract investment in property in the region. In contrast to open-ended funds, investors in closed-end funds can set off 50 per cent of their investment against tax.

"The closed-end funds were attractive to people who wanted to benefit from the tax-breaks. But investing in property in order to save tax is often a bad move, particularly if the investor does not know how the property market works [such as in the east]," said Mr Guy Barker from property agents Knight Frank and Rutley Immobilien Consulting.

There are about 200 companies operating closed-end funds in the east. Of these, 30 or so are big players commanding total funds exceeding DM20bn.

Property analysts argue that the real weakness of closed-end funds is that fund managers cannot always promise a guaranteed return on the investment. "Sometimes these funds are set up without any guarantee of tenants. There are not many investors who are ready to buy buildings which are not pre-leased," said Mr Barker.

Yet with the fall of property prices by at least 25 per cent over the past two years in Berlin, property analysts believe closed-end funds' investors – including many small investors with average holdings of DM50,000 – could lose money.

"The problem for these investors will emerge over the next two years," said Mr Frank Schaick from Immobilien Consulting in Düsseldorf. "Many projects are still being constructed and not yet let. The key for any small investor is to opt for a fund which offers a long-term lease."

Two other factors are increasing the pressure on the closed-end funds: first, strict planning controls in east Germany; second, a surplus of land available for development in the west, which could force prices down and prompt western-based business to reasses the need to shift east.

Over the past year, cities in the east have started to set up zoning districts – demarcated areas for development – and have introduced planning controls. Berlin, for instance, is limiting the issue of permits for developments on the outskirts of the city.

"The introduction of zoning means that the investor will get an idea of where to plan, and will eventually be able to get an idea of where the key catchment areas are," said Mr Guy Duckworth, from Healey and Baker, property consultants. Those who moved in early to some parts of east Germany might now be saddled with properties which offer little return on investment because of zoning restrictions.

For example, the Fundis fund, one of the biggest closed-end funds in Berlin, acquired a building without tenants or rental guarantees, along the river Spreebogen which loops around the Reichstag. Today the building is still unlet, partly because rental expectations were set too high. But an additional factor deterring prospective tenants was the tough requirements of the zoning policy. Under this policy, tenants are required to undertake activities designed to build up the zone's infrastructure: tenants at the Fundis-backed building, for instance, are obliged to complement the Fraunhofer, the state-backed research and development centre which is located nearby.

The second factor putting closed-end funds under greater pressure is that for the first time since the second world war, there is generally a greater availability of developable land throughout the country, especially in the west.

"With the effects of land reclamation, mine closures and privatisation the market is shifting," said Mr Berthold Wetteskind, chief executive officer of Deutsche Immobilien, a subsidiary of Deutsche Bank. The privatised railways, for example, now have large plots of land available for development. "The scarcity of land has disappeared," he added.

Analysts believe that the cost of land could still fall, perhaps by as much as 20 per cent. With more land available in the west and with the opening up of the east, "the tenant is now in the driver's seat", said Mr Wetteskind.

PEOPLE

Abbey National promotes Pople to run its Scottish life subsidiary

Andrew Pople, 36, an ex-Bank of England man who joined Abbey National five years ago, has taken over as chief executive of Scottish Mutual Assurance, its recently-acquired life insurance business.

Abbey National bought Scottish Mutual in January 1992 for £287m with the objective of using its skills to launch Abbey National Life in February 1993. Scottish Mutual chief executive Douglas Patrick, 51, was put on the Abbey National board and given the task of heading the group's life assurance division which contributed £61m of Abbey National's £704m pre-tax profits last year.

However, Abbey's rapid expansion into the life assurance industry has been threat-

ened by the sudden resignation of Patrick, for family reasons. Pople's knowledge of the life assurance industry is limited to what he picked up when he was helping plan the establishment of Abbey National's life assurance startegy, but his appointment marks him out as one of Abbey National's young high-fliers.

He worked in the Bank of England's banking supervision section for three years before getting his MBA from the City University Business School. In 1988 he joined Abbey as strategic planning manager, Life Assurance and in 1992 switched into a line position managing 800 staff and 62 branches in Abbey's central division.

Meanwhile, Abbey has sought to plug the rest of the gap left by Patrick's resignation by giving John Fry, 58, Abbey's group services director, main board responsibility for the group's life and general insurance business.

■ Peter Ellwood, chief executive of TSB Group and TSB Bank and chairman of Visa's Europe, Middle East, Africa board, has been named as chairman of VISA INTERNATIONAL on the retirement of Henry Banacerraf.

■ George Fairweather, group financial controller of Dixons Group, has been appointed finance director of DAWSON INTERNATIONAL on the retirement of John Embrey.

■ Nick Castro, formerly a partner in KPMG's London office, has been appointed group financial director of YORKSHIRE-TYNE TEES TELEVISION HOLDINGS.

Maurice Paterson leaves ScotAm

The departure of Maurice Paterson from Scottish Amicable a week today, after 35 years with the life insurer, will leave the post of deputy managing director vacant for a while.

Responsibility for sales, which had been Paterson's remit, has been given to a team headed by Jim Cowan.

Roy Nicolson, managing director, said yesterday that while there was a need for a deputy managing director at some stage, that was not his priority at present. "Titles are not that important," he said.

The rationale for the change, he said, was the need for a fresh approach, which had struck him as he looked at the organisation in the light of changes happening to the life industry, such as commission disclosure, and the launch of ScotAm's own European venture in Dublin.

He had discussed the question with Paterson who had concluded that there was not another job at his level within ScotAm that he would be interested in doing. The decision was taken on a friendly basis between the two, who had worked together for more than 30 years: "We're still talking," Nicolson said.

Engineering a career at W.S. Atkins

The engineering design and consultancy firm of W.S. Atkins has appointed Helen Stone, who first joined the company in 1972 as a graduate engineer, as managing director of W.S. Atkins Structural Engineering (one of some 25 divisions within the company). She will be responsible for its engineers in the UK and overseas.

W.S. Atkins has a history stretching back to 1938, when William Atkins – who died in 1989 – first registered the firm as W.S. Atkins Partners. Mostly engaged in defence contracts during the war years, the firm's first real coup was to be awarded the contract to design and supervise the building of Britain's first large post-war steelworks at Port Talbot.

Today, the company is one of Europe's largest design consultancies, with some 4,000 staff employed on contracts in more than 40 countries. It has taken a significant part in the construction of the Channel Tunnel, advising the banks on progress of the project and also conducting safety audits.

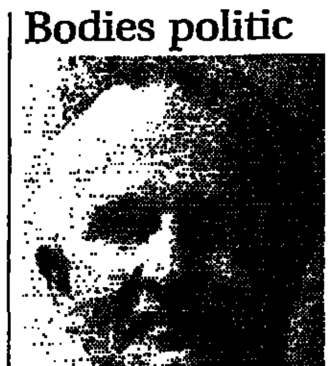
Stone was elected a fellow of the Institution of Civil Engineers in 1991, the third woman to receive that recognition.

She says she is "not in favour of positive discrimination but I am conscious that I have a responsibility to break down inappropriate barriers which prevent women engineers from making progress. The difference between men and women does not extend to their ability to make engineering calculations, or take engineering decisions."

Stone's dislike of positive discrimination in engineering circles stems from a rational basis: "It's still a profession where men predominate, and if you come across a female engineer the general assumption is 'she must be pretty good to have got so far'. I'm worried that if we start introducing positive discrimination that those very high standards will start to get lower."

She replaces Chris Symonds, who moves to be managing director of W.S. Atkins Building Management Northwest.

Bodies politic



■ Robin Geldard (above) has been elected president of the BRITISH CHAMBERS OF COMMERCE at its agm in Birmingham. A former Royal Marine, he qualified as a solicitor in 1958 and became senior partner of Edwards Geldard in Cardiff in 1991. He has acted as deputy registrar of the County and High Court of England and Wales, and last year was appointed honorary consul by the Japanese embassy for the principality of Wales. He first became a member of the Cardiff Chamber of Commerce in 1970 and served as its president in 1987 and 1988. His tenure as president of the British chambers lasts for two years.

■ John Sims has been appointed chairman of the CHARTERED INSTITUTE OF ARBITRATORS.

■ Stephen O'Brien, former chief executive of Business in the Community, has been appointed vice-chairman of the CHURCH URBAN FUND.

■ Lennart Aberg, md of Bayer UK; Brian Baldock, deputy chairman of Guinness; John Banfield, chairman of Mobil Oil; Jean-Claude Banon, group md of General Utilities; Michael Brinton, chairman of Brintons; Sir trevor Chinn, chairman and md of Lex Service; Geoffrey Higham, chairman of The Rugby Group; Terry Holmes, director of corporate affairs at Nestlé UK; David Jefferies, chairman of The National Grid; Aodh O'Dochartaigh, director of communication at Bass; Ian Ramsay, md of CPC (UK); Howard Robinson, chief executive of Calor Group; Peter Sanguinetti, director of corporate affairs at British Gas; Colin Sharman, senior partner at KPMG Peat Marwick; David Teague, md of ICL (UK); and Nigel Thompson, director of Ove Arup Partnership, have joined the national council of the CONFEDERATION OF BRITISH INDUSTRY.

Robot lifts the load

A robot fork lift truck that carries loads between lorry trailer and factory floor could extend automation to the loading bay. A prototype now being tested maps its surroundings continuously and plots its routes.

"There is no system in the world that loads and unloads conventional trailers fully autonomously," says Malcolm Roberts, director of Guidance Control Systems of the UK. "We built a system four years ago that relied on mirrors in the trailers to reflect positioning lasers but now we don't need them."

Drivers of trailers up to 16m long cannot park them accurately enough for a fixed robot loader to work. The GCS robot copes with such variables and also detects changes in its surroundings – for instance, when a pallet is in its path. A central computer communicates the tasks by radio to the robot, which is otherwise autonomous.

The robot uses a variety of sensors to detect its own location and the trailer. A laser system scans ahead up to 25m: for local positioning, ultrasound is accurate for between 20cm and 2m. The ultrasound data is interpreted quickly by an off-the-shelf transputer but an infra-red sensor cuts in when data of a higher resolution is needed – to cope with an odd-shaped load, for example.

The robot analyses when it has nudged up close to a load using a force sensor and torque measurement on each wheel. More sensors control the sideways movement of the forks so that loads are deposited hard up against the trailer wall.

"A fork-lift truck driver can unload a trailer in half an hour with relative ease and our prototype hasn't yet shown it can work so quickly. We expect to be there later this year," says Roberts.

However, time is not the only cost factor as robots are not so prone to accidental damage to loads.

Max Glaskin

Knova is an analytical tool that aspires to making the intangibles tangible, writes **Diane Palframan**

Knowledge is power

For most companies, improving business performance means reorganising to cut costs and jobs, followed by further investment in computers and communications technology. Few have considered the impact of intangibles such as knowledge on performance.

Knowledge is a resource that is difficult to assess and manage. But now researchers at Cambridge University, working with British Petroleum, have developed a method for analysing the factors influencing knowledge. It allows an appropriate investment plan to be developed and, ultimately, the investment to be related to performance.

BP initiated the work after making substantial organisational changes in the late 1980s. It wanted to improve the way people worked in a flatter, more team-oriented structure; but it also recognised that the usual information-based approach was too narrow and that "soft" factors – such as knowledge – must be taken into account.

"Common sense tells you that knowledge will influence the way people work, but we wanted to know how it affected them," explains Paul Wilhelmij, BP International's team leader in decision support, who with his colleague, Jack Betteridge, provided a business focus for the work with Cambridge University.

The partnership produced an analysis technique called Knova (Knowledge value-added). This provides "a holistic business view to identify the less obvious cost drivers," says Tony Holden, head of the university's decision support group, which collaborated in developing the the method.

Knova resulted in a computer model that takes into account the relationships – in a team or organisation – between knowledge, people, performance, investment, culture and benefits.

People factors include staff turnover and motivation, while culture factors include leadership, openness, informal and formal communications, the working environment, geographic distribution and personal reward.

According to Holden, traditional management models have difficulty linking these "soft" issues with "hard" quantitative factors, such as costs and investment. Nor can they easily analyse the benefits of investing in the knowledge resource.

In addition, Knova can provide both a static and a dynamic view of the factors that influence knowledge. By assigning order-of-magnitude values to the influencing factors and using system dynamic modelling software, a computer model can be produced. This model can then be used to track the factors over a period of time and perform "what-if" analyses to compare different investment options. Knowledge investments cover, for example, new procedures, computer systems, communications, external consultancy and training.

Holden points out that the computer model is only quasi-quantitative because of the subjective nature of such factors as culture, but insists: "Knova facilitates a much richer representation, that can be linked to pictures, text and numbers, than the traditional paper-based representation of influencing factors."

Companies do realise that knowledge is important, says Holden. It is expertise, know-how, information and data that employees use to make decisions.

In the recent restructuring, some companies have tried to use knowledge more effectively by introducing team-working and giving people more responsibility. But freedom to apply and share knowledge will not necessarily improve performance. Nor will an increase in the training budget. Knowledge must be developed and managed to produce beneficial results, argues Holden.

Knova helped cut BP Exploration drilling costs by tackling the stuck pipes problem

The development of Knova began at the end of the 1980s and its practical relevance was tested in the early 1990s on projects within the exploration arm of BP.

One application, that looked at human factors in team-working, involved an awareness campaign to overcome a common problem in oil exploration – when a drilling pipe gets stuck. At BP Exploration, the cost of this problem had risen sharply in the late 1980s, from around \$32m (£21.5m) a year to nearly \$40m in 1988.

BP Exploration knew that poor communications was a leading factor in the problem. It developed a training programme to encourage open communication, knowledge-sharing and problem-solving among its drilling teams. It trained 800 people, 70 per cent of whom were from outside contractors.

In two years, BP Exploration cut its drilling costs to \$13m, but in 1991 costs began to rise again at two sites. This was put down to changes in personnel and a push for higher performance. Applying Knova to the problem (albeit after the fact) showed that Knova would have predicted the cost trends and would have highlighted staff turnover as a potential factor.

Having validated the technique, both BP and the Cambridge group are applying it to other problems. BP is using it to look at operational decision-making on its process plants. "We are trying to create the right kind of environment for people who are working together in teams on our plants," says Wilhelmij. This would improve decision-making and could affect plant safety.

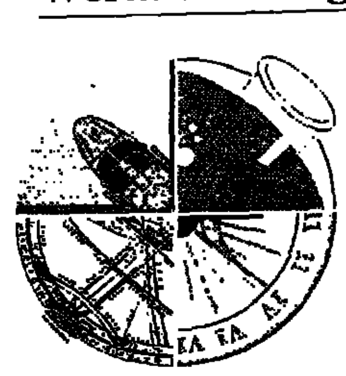
At Cambridge University, the decision support group is currently using Knova to identify the influences on performance in service departments of large organisations, such as the UK's National Health Service hospitals. But the group's main target industries are manufacturing, in particular oil and petrochemicals, and financial services.

These sectors have gone through big changes, and want to maximise performance and minimise risks. One way to do this, argues Holden, is by ensuring that people make quality decisions – decision-making being a knowledge-based activity.

"To get quality decisions, you may not need more sophisticated computer systems but a better organisational environment in which managers can make them," says Holden.

"Investing in computer technology has become a knee-jerk reaction and although computers have a place companies must broaden their perspective. Companies must also consider the intangibles and our work is to make the intangibles tangible."

Worth Watching · Andrew Fisher



Non-stick finish for textiles

Textile chemists have searched hard for a treatment that prolongs the life of clothing and home furnishings, writes Neil Shuttleworth.

Ciba of Switzerland and Du Pont of the US (owner of the Teflon trademark) have come up with the Teflon fabric protector, which provides lasting stain protection for rain and leisure wear. It also keeps water and stains off awnings and garden upholstery.

The finish is derived from the chemical material used on non-stick pans. The fluorocarbons are linked to the textile fibre to form an invisible, odourless, colourless, durable film.

"We see the products as being alternatives to silicon- and paraffin-based products because of their superior oil and water repellent effects," says Alan McDonald, head of marketing for textile finishing agents. Unusual applications include hot air balloons and parachutes.

Ciba: UK, 0625 618585.

Stroke sufferers learn to talk again

Computers are teaching people to talk again after suffering strokes. A team at Bristol's Frenchay Hospital in the UK uses personal computers to help patients supplement therapy.

They allow patients to practise repeatedly routines that will help them find words they have in their heads but cannot express or write. The Frenchay's aphasia (stroke-induced speech and language difficulty) computer team has worked in this area for seven years. The patients it deals with range from 33 to 82 years old and have suffered strokes of varying severity.

The stroke patients call up words on screen which they have difficulty locating mentally, explains Jane Mortley, of the aphasia team. "Where the word is stored in the brain, that's where the damage is as a result of the stroke." Courses are held at the hospital to train speech and language therapists in the method.

Frenchay Hospital: UK, 0271 701212.

Non-pollutant leak detector

A new method of detecting leaks in gas-assisted (to keep out moisture) electric power and telecommunications cables without using pollutants has been developed by Varian of Italy.

The system, marketed by Ai Cambridge, uses helium; an instrument sensitive to the gas provides highly accurate readings, eliminating errors from other soil-borne gases. Previously, some 60 per cent of tests were abandoned because of false readings.

The system dispenses with arcton, a CFC compound gas known to cause damage to the ozone layer. Norweb, a UK electricity company using the helium-sensing technique, has withdrawn approval for the arcton method. "We are now obtaining 100 per cent success in locating leaks in our gas-filled cables," says Alan Jones, Norweb's Manchester area maintenance manager.

Ai Cambridge: UK, 0223 834420.

Colourful check on sensitive products

To monitor products sensitive to time and temperature, Bowater of the UK has developed labels, called Reactt, which change colour according to varying conditions.

They can be used on foods that must be kept chilled and eaten within a certain number of days or to label pharmaceuticals, especially vaccines. Reactt labels, containing dye and binder chemicals, are in two parts: the first, the indicator, contains a blue dye which indicates temperature change by turning red; the second, the activator, is a catalyst. Both are inert until they are joined when the chemicals merge into each other, the speed determined by temperature and time.

Bowater: UK, 061 9412113.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Rate for Trading on 03.06.94 Pool purchase price £/MWh	Final Prices for trading on 05.05.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.97	10.80	10.80
0100	10.90	10.75	10.75
0130	10.90	10.75	10.75
0200	10.90	10.87	10.87
0230	10.90	10.87	10.87
0300	10.90	10.87	10.87
0330	10.90	10.85	10.85
0400	10.90	10.85	10.85
0430	10.90	10.75	10.75
0500	10.90	10.75	10.75
0530	10.75	10.80	10.80
0600	10.90	10.85	10.85
0630	10.90	10.90	10.90
0700	12.11	12.70	12.70
0730	22.35	22.01	24.13
0800	23.31	22.46	24.58
0830	24.17	23.67	25.79
0900	24.83	23.67	25.79
0930	34.99	23.67	25.80
1000	37.95	23.67	25.80
1030	37.95	23.67	25.79
1100	24.83	23.67	25.79
1130	24.83	23.67	25.79
1200	24.83	23.67	25.79
1230	24.83	23.67	25.79
1300	24.83	23.67	25.79
1330	24.83	22.46	24.58
1400	24.76	21.81	23.93
1430	23.74	21.54	23.66
1500	23.74	21.54	23.66
1530	23.74	21.08	23.20
1600	23.74	21.08	23.20
1630	23.74	21.08	23.20
1700	23.74	34.12	36.24
1730	23.74	23.50	25.62
1800	23.58	23.50	25.62
1830	23.58	34.12	36.24
1900	22.35	17.96	20.08
1930	22.35	17.96	20.08
2000	21.94	12.05	14.17
2030	21.49	11.19	13.31
2100	20.89	11.19	13.31
2130	20.89	29.50	31.62
2200	34.98	29.50	31.62
2230	34.99	23.55	25.67
2300	34.21	11.19	13.31
2330	15.02	11.17	11.17
2400	14.63	10.95	10.95

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.86/MWh becomes 1.086p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0800-[illegible] between 8:30am and 5:15pm Monday to Friday.
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ARTS

Glyndebourne/**David Murray**

Perfect marriage of aesthetics

There was never much doubt about it, but now we know: Glyndebourne's new, round opera house is a magnificent success. From the start Michael and Patty Hopkins designs looked full of promise, and they have been beautifully realised.

Externally, the building fits into its context without a cross glance or a jar – within a few years many visitors will be surprised to hear that things used to be different.

Cunningly, it has been built down into the hill, so as not to protrude too much above the old surroundings. There is still height enough to accommodate external balconies, from which to admire the Sussex view.

I had wondered whether the increased numbers might make the statutory picnicking a bit of a scrum, but no: new garden-room has been provided, and the grounds felt no more crowded than before.

And the interior, a dream of blond wood, exceeds all expectations. Not only is it comfortable (that, at least, we were counting on), but with its rising concentric tiers it looks intimately crowded, just as a proper theatre should.

Nobody seems distanced from the stage, even on the uppermost tier. Excellently chosen lighting achieves a jewel-box effect – charming, not twee, since there is no decorator's folderol in the house. Friendly simplicity is the keynote; even the "boxes" on either side of each tier are open and informal.

Best of all, the acoustic offers everything one had hoped for. Gone is the dry, boxy sound of the old auditorium; now the orchestra rings clear and uncramped, in far better balanced perspective, and singers' voices bloom in the new space.

Distinctive styles: Alison Hagley and Gerald Finley at Glyndebourne in 'Le nozze di Figaro' — Alastair Muir

Almost inevitably, Glyndebourne chose *Le nozze di Figaro* to inaugurate the house.

The old Peter Hall production was to have been revived, but the sets were lost in a fire two years ago. John Gunter has re-done them, thriftily: the garden act is planted now with nothing but giant stalks of rhubarb, among which the clandestine comings and goings become a public charade. Hall's original staging was unique in making the dodgy action both clear and (more or less) believable.

Clarity, at least, remains a great virtue of the "newly mounted production" by Stephen Medcalf.

Everything that matters is there, and it doesn't subject its cast to any awkward tricks or gimmicks. Since Bernard Haitink is the conductor, with the London Philharmonic, Mozart's score is rendered with lively faithfulness.

I thought Haitink had taken particular care to brighten the accompaniments for the extraneous *arias* – Marcellina's and Don Basilio's – in the garden act, though they will never really justify themselves. (Nice for the Marcellina and the Basilio, who otherwise get no solos; but they do nothing to advance the action in the run-up to the finale of a longish opera.)

It is Figaro and his Susanna who dominate the proceedings here: personable Gerald Finley and Alison Hagley, who have the further advantage of distinct individual timbres and styles. The naughty Count is Andreas Schmidt, elegant but slightly dry-voiced; his Countess, Renée Fleming, wielded her big soprano with increasing grace as the opera developed.

Old Bartolo is Manfred Röhrl, who gives him an old-fashioned gentility and reserve: a collector of first editions, probably.

Wendy Hillhouse cuts a nicely ample figure as Marcellina. Robert Tear's Basilio – a piece of power-casting, that! – brims with character, though in ensembles his penchant for reaching up slowly to high notes sometimes takes the edge off the rhythm. As Cherubino, Marie-Ange Todorovitch is deliciously candid and plausible.

There is a sexy young Barbarina from Susan Gritton, and Donald Adams makes her uncle Antonio definitively crumbly and grumbly. For the lawyer Don Curzio, John Graham-Hall imitates the original Michael Storace stuttering-trick (Mozart was initially doubtful about it, but Storace persuaded him).

All in all, it is an unspectacularly happy, rewarding evening: just what we love Glyndebourne for, and even more now in its splendid new house.

Sponsored by NM Rothschild & Sons Ltd, Rothschild & Cie Banque. In repertory until July 15.

Theatre/**Alastair Macaulay**

The Dream's spell in the Park

In hell they give performances of *A Midsummer Night's Dream* without a single laugh. In this life, however, it is the most watertight of Shakespeare's comedies. The lovers' confusions will rouse the sleepiest of audiences, and the Pyramus and Thisbe scene seems never to fail. The production that opens this year's Open Air season in Regent's Park, directed by Deborah Paige, is not very far above these minimal standards – but does that matter? Regent's Park itself lends poetry where the actors lack it.

Part of the spell is that the birdsong, which at first virtually drowns the actors, gradually ebbs away during the evening; and the last glow of full daylight deepens into nightfall behind the stage and is replaced, bit by bit, by stage lighting.

The quality that is rarest in performances of *The Dream* is sheer human complexity, that most vital Shakespearean ingredient.

It is most touchingly present on this occasion with Bottom, given an unusually po-faced, even dignified, performance by Robert Lang. His speech on awakening, baffled by last night's memories, is spoken with ideal, hushed awe; and, as he remembers, his hands trace above his head the arcs of his vanished ass's head.

No jolly stupidity here, but the stunned wonder of one whose life was briefly transfigured. Then, on his next appearance, comes the robust life-giving camaraderie of "Where are these lads? Where are these hearts?": sweet bully Bottom, fully restored to the human race.

Excellent also is Estelle Kohler's Titania – an arresting mixture of dangerous power and wanton sensuality. She speaks the verse with an authority that sends the play's pulse soaring on her every entrance. Cameron Blakely, with horns and thick black hair like the god Pan, is a virile, bright-eyed Puck with bags of attack. Paul Freeman's Oberon, eyelids glittering, is more hammy, savouring the role's rhetorical flourishes and rolled Rs.

Most of the rustics do well, though why Flute (Simon Harrison, looking like Tim Brooke-Taylor) should say he has "a beard coming" when he is already half-bald beats me; his piping voice is a cheap joke; and Peter Quince (weakly performed by Tim Stern) does not speak the prologue as Theseus and Lysander then describe. The four mortal lovers are given light, superficial performances by actors who have plenty to learn about producing their voices. (And if the Open Air Theatre doesn't teach them . . .)

Geraldine Pilgrim has put them in 19th-century attire (Empire line for the girls), and has provided an elegant set – an extended creamy neoclassical arcade through which we see the park's trees. The fairies, as usual, are a problem: five of them here, played by adults.

Most of Jonathan Goldstein's music for them sounds like (remember *Round the Horne*?) the Fraser Hayes Four; and Pilgrim and Paige have dressed them with mirror-specs, black helmets, glittery leggings, and fanned silver-paper wings to look like bluebottles. Were I Bottom, I would not ask one of them to scratch me. And, call me old-fashioned, I cannot believe in fairies with large buttocks.

In repertory at the Open Air Theatre, Regent's Park.

Pimlott's Murder in the Pit a mere façade

It is a truth too seldom acknowledged that T.S. Eliot, among the most haunting of 20th-century poets, was a lousy playwright.

But Eliot's finest poems are so much nearer drama than his plays.

In his finest poetry you can feel the conflict of separate voices and the tension of different ideas.

In his plays, however, he can rarely characterise successfully; and he develops his few dramatic ideas at a woefully cumbersome rate. Eliot can always lull an audience with his sheer quality of sound, but this counts for too much. Beneath this siren surface the quality of meaning is all too slow, and sometimes nebulous.

Eliot's plays usually bring out the worst in English actors: you can see them calculating their most showy and superficial effects. And Steven Pimlott's RSC production of *Murder in the Cathedral* is utterly sunk by the central performance of Michael Feast as Thomas Becket.

It is easy to see that Feast is in some ways wrong for Becket. (In his skull-like visage and glassy facial expressions it is impossible to find any trace of the former *bon viveur*.) Also his reading is in other ways controversial.

He seems to be trying to reveal some of the stranger facets of the psychopathology of religion – the suppressed hysteria of the would-be martyr, the manic fervour of the bigot, even a not-quite-sublimated homosexuality.

But these aspects would not matter if Feast led us into the contemplative stillness of Becket's thought.

Instead, however, he applies his considerable intelligence and technique into an ever-changing array of artificial gestures, over-bright facial expressions and contrasts of vocal dynamics.

Michael Feast in 'Murder in the Cathedral' — Alastair Muir

The overall impact is busy and contrived. He is worse when pretending, with constant artfulness, to be most spontaneous – in his prose Christmas sermon.

As it is, the play snaps into some kind of dramatic vigour only once: in the clever, specious, modern apologias spoken by the four knights after the murder. Jonathan Philips (third knight) has done nothing with the RSC better than this witty piece of bluffing.

The play's truest poetry is for its female chorus. Just sometimes Eliot comes close to catching the mysterious incantations of the choruses of Greek drama. Pimlott paces and divides these well.

Sarah Woodward and Kate Duchêne make only mild effect. Look at them after watching the older Cherry Morris and Sheila Ballantyne, so excellent in speech and stance. Morris, in particular, is so calm and focused – very reminiscent of Peggy Ashcroft in intonation – that she raises the play to a higher level with her every contribution. She even persuades us that such lines as "I have smelt . . . incense in the latrines" mean more than they do.

Pimlott, his designer Ashley Martin-Davies, his lighting designer Brian Harris, and Feast himself have reaccentuated many features of the production in transferring it from Stratford's Swan to the Barbican's Pit.

This, alas, is merely to adjust the façade of what is only a façade anyway. The more you shift the visual aspects of Eliot's play, the more you expose how static is its dramatic core.

In repertory in the Pit.

Sponsorship/**Antony Thorncroft**

Cool relations warm to new challenges

Relations in the past between the Arts Council, the bastion of the subsidised arts, and the Association for Business Sponsorship of the Arts, created to encourage corporate investment, have not always been easy.

They became particularly cool when the council set up an external relations department to offer its clients advice on sponsorship, and also to seek, with patchy success, business funding for its own conferences and publications.

This mutual suspicion should change now that the new secretary-general of the council, Mary Allen, is an ABSA old girl, and the chairman, Lord Gowrie, was a committed believer in sponsorship when arts minister, and boasts the Business Sponsorship Incentive Scheme as one of his greatest achievements.

ABSA will undertake assignments for the council, especially in advising arts companies how they can attract more sponsorship. This is already happening in a piecemeal way. ABSA works for the Scottish Arts Council on raising corporate funding and in April Elizabeth Ganney was drafted from ABSA to bolster South East Arts, with most of her salary coming from the regions.

Her task is to instruct the many small arts organisations in the area, (not necessarily South East Arts clients) on how to fundraise more effectively. The region receives less subsidy per head than any other (because the council expects local arts lovers to go to London) and many organisations there struggle to survive.

Fortunately, the south-east is attractive to business, and some new companies are embracing sponsorship. Nynex Cablecommunications, for example, has become a sponsor: it needs to improve its corporate image while digging holes throughout the area. It has backed the Brighton Festival and such small causes as the Reigate-based English Arts Chorale. The potential in the south-east is considerable: last year the region boosted its revenue from the BSIS (which encourages first-time sponsors) by 24 per cent, to £326,000.

As ABSA extends its network of regional offices (Birmingham opened this week), it will work closer with the newly beefed-up arts boards.

*

Scotland swept the board at ABSA's Goodman and Garrett Awards ceremony at the Tate Gallery, which is unique in honouring individuals who have served the cause of arts sponsorship. Alex Clark won the £10,000 Goodman Award, for achievement by a volunteer, and Nina Havergal the £10,000 Garrett as a professional in the field.

These imaginative awards have been sponsored for three years by Reed Elsevier.

*

BP was one of the large sponsors that froze its budget during the recession. By not renewing most of its 40-odd, £25,000 or so, touring and community-based commitments its expenditure almost halved, to around £750,000 a year. Now it is re-examining its position.

The budget is unlikely to rise in the short term but BP has a strategy again. Community work will be left to local subsidiaries, which may, or may not, include the arts. HQ will concentrate on four or five prestige sponsorships.

The annual re-hang of art at the Tate Gallery will be financed for two more years, and there is to be another year at least for the annual Portrait Award at the National Portrait Gallery. The Cardiff Singer of the Year, with the BBC, will continue in 1995, and then stay on hold until the murky relationship between the BBC and sponsorship is thrashed out.

In July, BP sponsors its first production at the National Theatre, Chekhov's *The Seagull*. In the past BP backed the NT's educational programme, but it is switching about £60,000 to a more high-profile event.

*

Last month the most important exhibition of paintings in a generation by the American artist, Willem de Kooning, opened at the National Gallery in Washington. It will later go to the Met in New York before coming to the Tate in London early next year. The British end of the trip was entirely dependent on the American bank J.P. Morgan having invested more than £1m into the event. This will cover transportation and insurance costs.

J.P. Morgan is slowly appreciating the benefits of sponsorship and its budget rises steadily. It exploits the opportunities for corporate hospitality – but is as much swayed by a feeling of responsibility towards the quality of life, and the fact that de Kooning, American and avant-garde, chimes in nicely with a bank that is trying to shed its traditional image of exclusivity.

INTERNATIONAL ARTS GUIDE

VAN GOGH'S SELF-PORTRAITS

The visual arts programme at this year's Holland Festival is dominated by an exhibition of rarely-seen self-portraits by Vincent Van Gogh, on show in Amsterdam at the Van Gogh Museum from next Friday.

The 20 paintings and two drawings all date from the artist's stay in Paris from 1886 to 1887, when he was confronted for the first time with the range of colours used by the Impressionists. Financially dependent on his brother Theo, Van Gogh could not afford to hire models to pose for him, so he picked up a mirror and turned to the self-portrait to satisfy his passion for human figure painting.

He went on to paint 35 self-portraits while living in France, 28 of them dating from his Paris period. They mark a dramatic turn in his artistic vision, tracing his departure from dark and sombre shades to the vibrant colours which characterised the work of his final three years before he committed suicide in 1890.

Five paintings in the exhibition have never been on public view before. They were painted on the backs of Van Gogh's earlier works from the Dutch town of Huenen, and have been reframed so that both sides can be viewed. Seen together in one room, the self-portraits reveal a fascinating variety of expression - sometimes devilish, at other times sweet and gentle. The exhibition runs till October 9.

■ EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Flowers and Plants: flora and fauna in five centuries of prints and drawings. Ends July 31. Closed Mon

Stedelijk Museum Couplet II: the latest in a series of temporary exhibitions drawn from the permanent collection, this time focusing on Joan Jonas's performance installations 1968-94, Peter Hujar's photographs 1963-87, Domenico Bianchi's paintings 1987-94 and Brice Marden's paintings 1985-93 - plus selected works by Dubuffet, Schwitters, Tàpies and others. Ends June 30. Daily

BARCELONA

Museu Picasso The Russian Avant-Garde 1905-25. Ends June 26. Closed Mon (Carrer Montcada 15-19)

BASLE

Antikenmuseum Rediscovering Pompei: 200 objects, including jewellery, ceramics, statues and household implements, offering insight into daily life in the Roman town, supplemented by a reconstructed garden with mosaics and a room complete with original frescoes. Ends June 26. Closed Mon

Museum für Gegenwartskunst Joseph Beuys' Arena (1972): more than 100 painted photographs by one of the most controversial figures in Germany's postwar avant-garde. Ends June 26. Closed Mon

LAUSANNE

Musée d'Art Contemporain Contemporary Picasso: 80 works 1946-1971, including 30 paintings and a dozen sculptures. Ends Sep 25. Daily

Musée Olympique Miro: 41 sculptures from Barcelona, documenting his progression from his first phase, when he revelled in pure rubbish, to the magic circle formulae of his later years. Also included are 13 prints from the 1960s and 70s. Ends Sep 4

LONDON

Royal Academy of Arts Goya: 100 small-scale paintings covering his entire career. Ends June 12. Daily (advance booking 071-396 4555)

Queen's Gallery Gainsborough and Reynolds: paintings, prints and documentary material illustrating the different personalities and artistic styles of two great late 18th century British painters. Ends Dec 22

Grosvenor House The flagship fair for the British art and antiques world opens next Thurs and runs till June 18. Paintings, furniture, silver, jewellery and other works of art from antiquity to the present day can be admired and bought. Among the items on show are a pair of paintings by Francesco Guardi dating from the early 1780s, Landseer's A Highland Glen, an Elizabethan walnut three-tier buffet, a mid-18th century Castelli maiolica covered cup and some classic Chinese 16th and 17th century Ming furniture (tel 071-495 8743 fax 071-495 8747)

LUCERNE

Kornschütte Book Illumination of the Middle Ages and the Book of Kells: Fine Art Facsimile Publishers of Switzerland has set itself the task of making the most important illuminated manuscripts of the western world accessible to libraries, collectors, museums and connoisseurs of art and books. This exhibition shows the results. Ends June 18

MADRID

Centro de Arte Reina Sofia Lucian Freud: a collection of paintings, drawings and etchings celebrating the recent achievements of Britain's greatest living realist painter. Ends June 13. Closed Tues

Fundacion Juan March Isamu Noguchi (1904-88): 58 outdoor sculptures expressing the oriental and western cultural traditions inherited by Noguchi, an American artist of Japanese origin. Ends June 26. Daily

Castellana Fernando Botero: an outdoor parade of 21 of the Colombian sculptor's bulging bronzes. Ends Aug 12

MUNICH

Alte Pinakothek Tintoretto: the Gonzaga cycle. Ends June 21. Closed Mon

Haus der Kunst Elan Vital: an exhibition exploring the link between Kandinsky, Klee, Arp, Miro and Calder. Ends Aug 14. Closed Mon

Kunsthalle der Hypo-Kulturstiftung El Dorado: 300 gold and ceramic treasures from pre-colonial Colombia. Ends Sep 4. Daily

Akademie der schönen Künste The Russian Stage 1900-30: 190 treasures from the Bachrushin Museum in Moscow. Ends June 26. Closed Mon

Villa Stuck Christo: an exhibition devoted to the grandiose urban projects which the Bulgarian-American artist has pursued over the past 30 years, including his current plan to wrap the Berlin Reichstag in silver cloth. Ends July 10. Closed Mon

Neue Pinakothek Wilhelm Leibl (1844-1900): around 200 paintings and drawings offer a 150th anniversary retrospective of the Cologne artist who was the leader of German Realism in the late 19th century. Ends July 24. Closed Mon

NAPLES

Castel S. Elmo Naples under the Austrian Viceroy 1707-34: a splendid itinerant show from Vienna, dominated by the magnificent baroque works of Francesco Solimena. Ends July 24

NEW YORK

Metropolitan Museum of Art Petrus Christus: 22 paintings by the 15th century Netherlandish master, renowned for the jewel-like luminosity of his work. Ends July 31. American Impressionism and Realism 1885-1915. Ends July 24. The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. Sidney Nolan's Ned Kelly Paintings. Ends July 17. Closed Mon

Museum of Modern Art American Surrealist Photography: 45 works from the period 1930-1955. Ends July 5. Closed Wed

Whitney Museum of American Art Isamu Noguchi: retrospective of the 90-year old artist whose work merges Asian traditions with Western Modernism. Ends June 19. Joseph Stella (1877-1946): more than 200 paintings and works on paper by the modernist who helped translate concepts of the European avant-garde into an American idiom. Ends Oct 9. Closed Mon

PARIS

Grand Palais The Origins of Impressionism 1859-69. Ends Aug 8. Closed Tues

Musée d'Art Moderne de la Ville de Paris Dutch Art of the 20th Century: the first part traces developments from Van Gogh to Mondrian, while the second focuses on ten contemporary artists. Ends July 17. Closed Mon (11 ave du President Wilson)

Hôtel de Ville Nicolas de Stael: 70 paintings and 40 drawings by the Russian-born, French-trained painter who committed suicide in 1955. Ends June 19. Closed Mon (Salle Saint-Jean, 3 rue de Lobau)

ROME

Palazzo delle Esposizioni Dada - The Art of Negation: 300 works from public and private collections. Ends June 30. Richard Long: eight installations by the British artist, all prepared or created on site. Ends June 30. Closed Mon

SPEYER

Historisches Museum der Pfalz Romanov Tsarist Treasures: 200 pieces from the St Petersburg Hermitage, including jewellery, objets d'art, paintings, furniture and costumes, collected during three centuries of Romanov rule in Russia. Ends Aug 14. Daily

STUTTGART

Staatsgalerie Picasso: a rare showing of 400 prints from a private collection, including portraits, still-lifes and many other themes. Ends Aug 14. Closed Mon

Linden-Museum Art of the Aborigines: 90 wood paintings, 40 sculptures and an installation, mainly by contemporary Australian artists. Ends Sep 25. Closed Mon

VENICE

Antichi granai della repubblica China in 220 BC - The Warriors of Xi'an: ten of the 7,000 lifesize terracotta soldiers who guarded the tomb of Emperor Qin Shihuangdi in central China, along with copies of war chariots and weapons discovered in one of this century's most dramatic digs. Ends Sep 11. Daily (the old granary on the tip of the Giudecca)

Palazzo Grassi Renaissance Architecture from Brunelleschi to Michelangelo: 250 works from European and American public collections. Ends Nov 6. Daily

Scuola Grande di San Rocco Tintoretto portraits. Ends July 10

ZURICH

Kunsthaus Amor and Psyche around 1800: an artistic exploration of the classical Greek legend, with paintings and drawings by David, Picot, Meynier and others. Ends July 17. Closed Mon

Poverty of vision

Alan Pike on Europe's reluctance to give direct aid to the poor

"Social policy is the Achilles' heel of Europe," Mr Raphael Chanterie, a Belgian member of the European Parliament told a conference on the subject last week.

His audience of government officials, academics and industry representatives murmured assent, but could have spent hours disagreeing with each other over what the statement meant. It might have been possible to thrash out an agreed definition of "Achilles' heel"; "social policy" would have presented greater difficulties.

Their confusion is partly understandable. European Union social policy has traditionally been dominated by employment-related issues. Alongside these, however, a clutch of policies concerned with the poor – or, in the EU's preferred term, the "socially excluded" – has grown in significance. Anti-poverty organisations are increasingly looking to Europe for initiatives to attack deprivation. But they fear that EU involvement in this area of social policy is about to collapse.

Mr Padraig Flynn, the EU social affairs commissioner, is currently sifting through hundreds of responses to a green paper on options for the future of social policy, before presenting final proposals to the Commission in a white paper next month. The green paper sounded powerful warnings about the dangers of excluding large sections of Europe's population from a reasonable share of wealth and opportunities. Violence, drug abuse, racism, political extremism and social unrest were, it said, all likely to result.

Mr Flynn made it clear last week, however, that against a background of high unemployment, job creation would "dominate the whole agenda" arising from his white paper. He emphasised his opposition to the emergence of a "dual society" of advantaged and disadvantaged in Europe, but argued the best way of supporting the most needy groups was through measures to attack long-term unemployment.

With the number of the EU's poor variously estimated at between 50m and 70m, anti-poverty organisations regard the idea of relying on labour market policies alone to tackle "social exclusion" as wishful thinking. The green paper itself concedes that a return to full employment is "unlikely in the foreseeable future" without significant policy changes. Europe created 9m jobs between 1985 and 1991 but unemployment fell by only 3m.

The European Anti Poverty Network, which represents voluntary organisations in the 12 member states, wants the introduction of rules requiring poverty and its social consequences to be taken into account in all EU policies, in the way that environmental factors are considered. But campaigners' fears that their efforts will fall on deaf ears have been compounded by signs that the financial help the EU gives to the poor may be under threat.

Although relief of poverty is a responsibility of individual states, the EU supports experimental projects aimed at changing the lives of the poor. Poverty 3, its current five-year programme, ends this month, and last year Mr Jacques Delors, Commission president, expressed hopes that it would be followed by a more ambitious Poverty 4 with its budget doubled to Ecu110m (£85m).

But Germany, in what started as a dispute between the federal government and Länder over responsibility for running anti-poverty programmes, has blocked the introduction of the initiative. Behind the dispute are wider reservations, shared by some UK and Dutch ministers, about the appropriateness of EU involvement in this area of social policy.

Mr Delors is believed to have tried to rescue Poverty 4 in talks with Chancellor Helmut Kohl – without success. Unless there is an unexpected breakthrough at a meeting of social affairs ministers on June 22, there is little chance of the programme being launched during the six-month German EU presidency, which begins next month. With the specialist teams that worked on Poverty 3 already breaking up because of the uncertainty, this could mark the end of the programme. The resistance to Poverty 4 is also giving rise to doubts about the future of other EU social initiatives such as its work with the elderly.

Most of Europe's poor would not immediately notice the loss of the programmes – budgets have never been big enough to relieve much poverty. But Poverty 3 has helped fund schemes for former prisoners in Italy, itinerant families in Ireland, narcotics addicts in Greece, single parents in Bristol.

A House of Lords sub-committee concluded last month that it had led to work which would not otherwise have been done, relieving poverty and starting to "rebuild the economic and social lives of some severely deprived communities". Although the invigoration of local economies was beyond the capacity of small projects, the committee said it was "impressed by the determination and ingenuity" shown by Poverty 3 initiatives in creating limited numbers of new jobs.

The local government centre at Warwick University, which has co-ordinated and monitored the UK projects included under the Poverty 3 umbrella, lists a series of small but significant practical achievements. They include a scheme to train black people for voluntary work in Bristol, development of a new childcare centre at Pilton, Edinburgh, and changes in Liverpool city council's policies to encourage the employment of local labour.

But supporters say the programme's most significant contribution has been its direct involvement of needy and deprived people in efforts to rebuild their communities. The encouragement and prestige of having the EU flag flying over little local initiatives in Scottish housing estates and Portuguese mountain villages has, they say, been worth as much as the money.

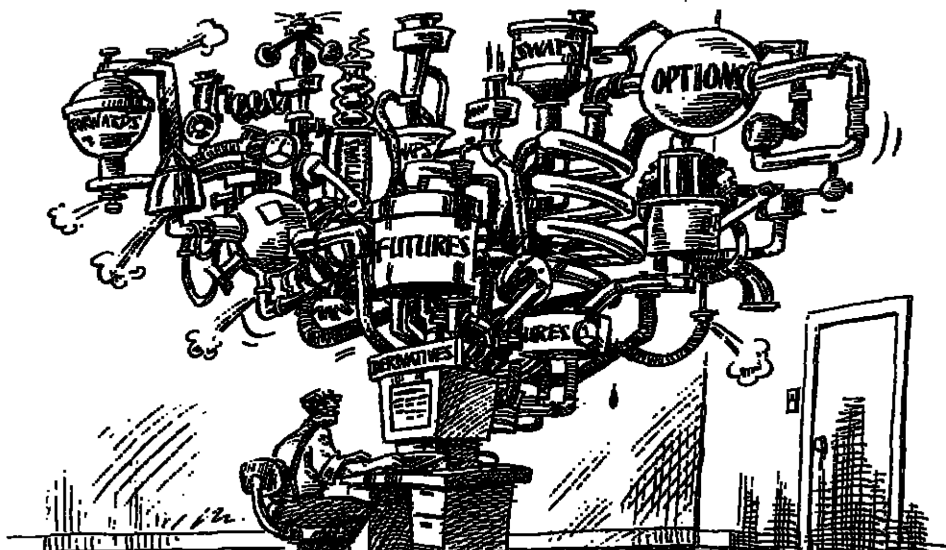
Mr Dennis Preston, who chairs the Brownlow Community Trust, says Poverty 3 has provided a local test bed for national urban aid policies. Warwick University researchers say it has enabled people to "participate in the process of change, rather than becoming resentful objects of it".

Europe's anti-poverty groups fear that, if the EU abandons such initiatives, the dangers of that resentment being expressed in the dark forms described in its green paper will come at least a little closer.

PERSONAL VIEW

Gerald Corrigan outlines the risks inherent in derivatives and suggests how they can be contained

A framework for financial stability



In the wake of a period of extreme volatility in financial markets in recent weeks, the flow of commentary has taken on extraordinary proportions. In these circumstances, I am reminded of a comment I made in January 1992 during a discussion of financial derivatives. In my address I said: "I hope this sounds like a warning, because it is."

Significant progress has been made in learning more about derivatives in both private and official circles in the intervening two and a half years. For example, in the private sector truly great progress has been, and is being, made in developing the risk management, information and control systems that are crucial for individual firms and the marketplace more generally. At the same time, supervisory authorities are making important gains in adapting prudential standards to the widespread use of derivatives.

Yet there are several reasons why the central thrust of my January 1992 warning should not be forgotten. Among them are that, while constructive steps have been taken, they are hardly complete; markets have continued to grow and are evolving very rapidly; and derivatives seem to entail an acute, if not ironic, dilemma. This is that, although they unmistakably work to reduce risk, including the risk of a systemic financial breakdown, the implications of such a breakdown (admittedly a very unlikely event) are even more difficult to contain and control.

Thus we face the vexing question of how to deal with such a contingency in a manner which remains sensible and constructive in a broader and longer-term perspective.

There are a number of steps which should be taken to contain risks associated with financial derivatives in a manner that will not materially impair the ability of these instruments and markets to perform their necessary role.

First, all of the larger market participants, including non-financial firms that are significant end-users of derivatives, need to redouble their efforts to ensure that risk management, information and control systems are up to state-of-the-art standards. Boards of directors and top managers should insist that all such firms undertake a rigorous self-analysis relative to the original recommendations made by the Washington-based Group of 30 think-tank in July 1993 and relative to the findings of the recently published G30 survey of industry practices.

Among other objectives should be implementation of accurate and timely consolidated credit and market risk monitoring by all significant institutions in these markets. In the longer term, these monitoring efforts should be pushed to the limits of technology and practicalities in order to achieve intra-day monitoring capabilities on a broad scale.

Second, individual firms, exchanges, clearing houses and central banks should be even more aggressively pursuing ways to strengthen clearance, settlement and payment systems.

These should focus on: shortening and standardising the gap between trade date (and time) and final payment; the more widespread use of same-day delivery against payment systems for securities transactions; moving towards same-day final payment in clearing houses and exchanges; and further strengthening the operational reliability of key processing systems.

While it may not be obvious to all, such improvements in the "plumbing" of the financial system can work towards enhancing market liquidity across a wide spectrum of financial instruments. In turn, this would help strengthen the capacity of markets to absorb more smoothly sudden shifts in market psychology.

Third, we must move more aggressively to establish a standard set of definitions applicable to financial disclosure and reporting requirements for widely traded derivative instruments. This issue is at the heart of the ability of firms and regulators to make consistent judgments on risks. At present, the gaps in uniform definitions and disclosure standards are a significant factor in explaining the considerable variation in firms' responses to the 30 survey questions. It would be unfair not to acknowledge that progress has been made in this area, but much remains to be done.

Great progress has been made in developing control systems for the marketplace

Fourth, larger market participants need to work with regulators and supervisors to assure the legal enforceability of derivatives transactions, both within and across jurisdictions. Particular attention should be paid to enforceability of netting arrangements, both nationally and internationally. Dealers and end users also should work together to establish greater standardisation in documentation further to promote liquidity and stability in these markets.

All of these steps, which are included in the G30's list of recommendations, are critical to reducing risk and promoting certainty in the international derivatives markets.

Fifth, consideration should be given to the establishment of voluntary minimum standards for disclosure, credit and market risk controls, and customer suitability that could apply broadly to all key market participants in derivatives. This will be very difficult, but progress might be made by such minimum standards being developed by a private sector group, such as the G30. While such standards would have no binding authority, if applied by prominent individual firms voluntarily and publicly, others would be under great pressure to do so also.

Indeed, if some firms – acting on their own and in their own best interest – refused to do business with firms that did not voluntarily comply with such standards, the pressures would be very great. The obstacles to achieving such a workable framework of voluntary minimum standards are formidable, but the concept should not be rejected out of hand.

The above steps constitute a building block towards greater safety and greater efficiency. Yet the international community of banking and securities regulators – together with the appropriate European Union officials – is still faced with the enormous challenge of achieving greater cohesion and consistency as it applies to minimum capital standards.

Under any circumstances, this will take time. And, based on my experience as chairman of the Basle Committee, I know it will not be easy. I believe, though, that in the fullness of time the legitimate interests of individual firms or groups of firms or individual regulators or groups of regulators can be accommodated while allowing significant movement towards greater consistency in prudential standards and greater harmony in market practices.

The above agenda is formidable but not insurmountable. It can be achieved without new legislation, new regulatory structures and without the threat of regulatory overkill.

That said, it should also be stressed that no such framework is fail-safe and there can be no substitute for the time-honoured dictates of discipline, conservatism and knowing your counterparty. In the current environment, those dictates should take on a special premium of attention, because neither the markets nor the regulatory and political communities will react kindly to any large-scale surprises.

To coin a phrase: I hope this sounds like a warning, because it is. Much has been accomplished, but more needs to be done.

The author is chairman, International Advisers, Goldman, Sachs, and a former president of the Federal Reserve Bank of New York

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Supporters of Chalfont and others

From Ms Kay Coleman and others.

Sir, To Lord Chalfont and others (Letters, May 31), hear! hear! – and so say all of us not so silent chief executives.

Kay Coleman, Marianne Dobkin, Dawn Gibbons, Jackie Edelson, Sarah Topham, Janet Larton, Evy Blaskey.
(all signatories are chief executives or managing directors of companies in the north-west)

Monetary danger overstated

From Dr Michael Clauss.

Sir, Thomas Mayer (Personal View, June 1) is right to warn of the dangers of excessive growth in German M3 and public borrowing, but he overstates the case.

Mr Mayer compares M3 growth of 46 per cent between 1989 and 1993 with real gross domestic product growth of 19 per cent (giving an implied money overhang of 27 per cent). However, the appropriate comparison is with nominal GDP, which grew by more than 39 per cent. In other words, past inflation has already absorbed much of the excessive M3 growth, leaving an overhang of only about 7 per cent.

He notes that at the end of this year, public debt will be 115 per cent higher than at the end of 1989. This overstates the upward trend in public borrowing, because it includes existing GDR net debt, which we estimate at DM450bn, or 48.5 per cent of the level of public debt in 1989.

Mr Mayer rightly warns that credit is expanding faster than investment, but he overstates the problem by citing the 4 per cent fall in equipment investment between 1989 and 1993. Most investment has recently been concentrated in construction, especially desperately needed housing. Including this, nominal investment rose 26 per cent in the west during that period. The figure would be higher still if we add in investment in the east.

There should be no question of the Bundesbank's abandoning the M3 target – its current rapid growth and the surge in credit provide a signal of potential risks ahead. But those risks should not be exaggerated.

Michael Clauss,
vice-president,
CS First Boston,
Grüneburgweg 102,
D-60323 Frankfurt, Germany

Obviously mistaken

From Mr Richard Branson.

Sir, Although I will always believe that the government was wrong in ever setting up the National Lottery in the way it did, I do not believe I behaved badly on receiving the news.

The news was received privately by a number of us. It was received with great disappointment by all of us. (We had just failed to create the largest charitable foundation in Europe – much needed by small charities all over the UK.)

However, there were no angry outbursts. No ripping up of faxes. There were also no photographers.

An hour later the popular press asked for a couple of staged shots. Having read Lucy Kellaway's diary piece (Management, May 30). I was obviously mistaken in agreeing to their suggestion. I should have known better.

Richard Branson,
chairman,
Virgin Group of Companies,
120 Camden Hill Road,
London W8 7AR

NVQs one of best hopes for training in UK

From Mr Steve Palmer.

Sir, Your report, "Bogus NVQ claims raise alarm" (June 1), is illuminating in that it highlights some of the stresses and strains in a national vocational qualifications system that has grown fivefold in volume terms in the last four years.

With our many partners, we will weed out any alleged wrongdoings against us. We will also continue to improve the already elaborate systems that are in place for paying for NVQ achievement.

We must not throw that baby out with the bath water, though. Paying for NVQs is a sensible approach. The idea that no results equals no money must be right. NVQs signify competence-based learning and are a vast improvement on the more subjective arrangements that preceded them. As such, NVQs represent one of the UK's best hopes for improving skills levels to allow us to catch up with our industrial competitors.

Alleviating unemployment can only be achieved by raising Britain's competitiveness, and NVQs are an essential calibration of that process. They thus unify the economic and social challenges that all Training and Enterprise Councils are tackling with gathering success.

Your report failed to mention the pivotal role of the awarding bodies. They give out the NVQ certificates and they need to take steps with the Tecs and others to ensure the legitimacy and bona fides of the NVQs. We must not allow the hard work of more than 500,000 trainees nationally who are aiming for NVQs to be corroded by the alleged activities of less than a handful of people.

Steve Palmer,
chief executive,
Cumbria Tec,
Venture House, Guard Street,
Workington,
Cumbria CA14 4EW

Executive volunteers

From Mrs Elisabeth Hoodless.

Sir, Companies such as Tesco, Royal Mail, National Power, Unilever and The Body Shop would all confirm the value of volunteering by managers: it enriches their skills and extends their talents. It need not, however, be constrained through "lack of time" ("Managers volunteer surplus expertise", May 30). NatWest managers give a lunch hour a week to tutor pupils in Islington schools, Coopers and Lybrand and the London Stock Exchange build stronger teams by tackling tree planting on an inner-city farm or building flower beds in Tower Hamlets on one Saturday a year.

The article calls for a brokering service: if it is needed, it is available now. CSV has more than 3,000 projects nationwide awaiting employee volunteers.

Elisabeth Hoodless,
executive director, CSV,
237 Pentonville Road,
London N1

Indian government ahead of the game with rupee 'dilemma'

From Mr Michael Ashfield.

Sir, Your leader ("India's rupee dilemma", May 27) doubted the seriousness of India's present government. But as early as last August, the Indian press reported a visit to the ministry of finance by John Williamson of Washington, who is one of the world experts on the capital flows which you discuss. To my mind, somebody in the Indian government was well ahead of the game.

I suggest, moreover, that they have stayed ahead. You might have mentioned debt repayment as another way of reducing the problem. In fact, the government has recently done some of that.

The leader also said that the country needs to find ways of using foreign capital. Such as investment in electricity, telecoms, oil and gas, aviation? All of these have already been opened up by the Rao government.

And as an example of another encouraging fact, may I add that while the rest of the world's exports to India stagnated last year, exporters in the UK earned nearly 20 per cent more from India than in 1992 (the total was £1.1bn). In the first quarter of 1994, the British continued to help the Indians with their rupee problem: Britain's exports to them were up by 29 per cent.

Michael Ashfield,
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FINANCIAL TIMES

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Friday June 3 1994

Networking Europe

Europe cannot afford to be left behind in the construction of fibre-optic grids, or in the development of inter-active services to run over them. The report of the EU's industry group on the *Information Society*, chaired by Mr Martin Bangemann, must offer a clear framework of policy and regulation to promote both goals.

From the summary of its recommendations published this week, the group appears to be leading in the right direction. But it has left crucial questions unanswered – notably the regulatory framework for competition in service provision, and the protection of intellectual property.

Most of the principles for action laid down by the group are laudable. It places the onus for the construction of "superhighways" on the private sector, and urges that state telecommunications operators be freed from "non-commercial political burdens" – notably the duty to act as tax collectors for their national governments. The group coyly urges "practical measures" with "clear timetables" to achieve this. The best measures are, in fact, privatisation and the separation of the regulatory function from national operators and their sponsoring government departments. These are proceeding painfully slowly across most of the EU.

The report is also right to call for greater harmonisation of equipment standards and acceleration of the pace of telecoms liberalisation. On formal occasions the Commission continues to pay lip service to the 1998 deadline for "voice" telecoms liberalisation agreed by EU ministers last June.

Effective policing

In practice, that timescale is being progressively eroded: multinationals are being encouraged to contract with single operators to provide pan-European "private" networks; the Commission is toying with further deregulation of the cable industry; and operators in the corporate sector are discovering numerous ways to evade existing restrictions.

If competition is to flourish, the former monopolists will require effective policing. Even in the UK, whose government has made competition the cornerstone of its telecoms policy, British Telecommunications commands nearly 90 per cent of the market 10 years after the abolition of its monopoly. Without a regulator to attend to the critical nuts and bolts of competition, notably the terms under which rivals inter-connect to BT's national network, BT would be more dominant still.

In EU states with governments less ardently committed to competition, fair access to national telecoms networks is unlikely to be secured without external leverage. The Bangemann group ducked the issue: "an authority should be established at European level whose terms of reference will require prompt attention", it noted.

Independent agency

What "authority"? A highly legalistic and bureaucratic Federal Communications Commission on the US model is not an attractive proposition. Yet, with all due respect to subsidiarity, a college of national regulators – the other extreme – is unlikely to be adequate to the task. An independent EU agency is essential. Whether it takes the form of a free-standing agency, or is integrated within the Commission's existing competition directorate, is an issue which needs to be resolved soon.

Whatever its form, the agency's terms of reference should include a duty to promote access to national networks, on terms consistent with efficient competition. It might also be desirable to give it power to increase the downward pressure on Europe's damagingly high cross-border telecoms tariffs, the aim being equality with tariffs for similar internal traffic.

On intellectual property, the paper says EU-wide protection must have a "high priority" and "rise to the challenge of globalisation". Its diffidence in this field is more understandable, given the complexity of the issues at stake.

It is important, however, that resolving them does not delay progress towards telecoms liberalisation and the extension of fibre-optics into local networks. For the benefits of competition and fibre networks apply as much to existing telecoms services as to the new information and inter-active products, where protecting intellectual property is essential. In setting its eyes on the multi-media horizon, Europe must not stumble over the immediate steps ahead.

More unequal than others

The very sharp increase in the number of people in the UK with incomes below half the national average, reported yesterday by the Institute for Fiscal Studies, may come as a shock. It is, of course, possible to imagine a society in which growing income inequality coexists with rising living standards for all. Yet the evidence that the poorest in society are not benefiting from the economic growth enjoyed by the majority is now mounting.

The government's own figures for households below average incomes show little change in real income for the poorest tenth of the population since 1979. When housing costs are taken into account, their real income has actually fallen during the 1980s. The IFS study confirms the government's figures and contrasts them with the 60 per cent increase in incomes after housing costs for the richest tenth of the population since 1979. There is no sign of the trickle-down effect for those at the very bottom of the income ladder.

What has happened in the 1980s contrasts with the experience of much of the rest of the postwar period, when all income groups benefited to some degree from economic growth. There is concern over the emergence of an excluded minority which has little or no stake in society. Those at the bottom of the income ladder find themselves cut off from employment, dependent on benefits and trapped on problem public housing estates. A spiral of deprivation is created, with high rates of family break-up and growing numbers of single parents bringing up children in poverty.

Growing bills

This is not a recipe for a society at ease with itself. The more affluent majority with access to jobs, owner-occupation, cars and the rest cannot cut themselves off from it. They see its consequences in the increasing numbers of beggars on the streets. They must protect their homes and families from the lawlessness it engenders. They pay the taxes to meet the growing social security bills. Fortunately, there are many data in the IFS study that offer help in devising policies to break out of the spiral of decline.

A central finding is the growing importance of unemployment as a cause of low incomes. In 1961, less than 4 per cent of those on below half average income were unemployed: by 1991, it was over a fifth. Unemployment is the dominant factor behind the increase in families with children in the poorest tenth: they now make up more than half this group, compared with only a third in 1961.

Smoother transition

Finding work opportunities for those who are unemployed is essential in providing pathways out of poverty for these individuals. Simply increasing benefits for the unemployed is unlikely to assist in this, because it may discourage them from taking low-paid jobs. Instead, the benefits system should be adjusted to smooth the transition to employment so that unemployed people can accept part-time or low-paid work without losing all their benefits.

Another clear finding of the IFS study is the relative improvement of the position of pensioners. They formed almost half the poorest tenth in 1961, and now make up less than a quarter, despite their growth in numbers. Some of the improvement is marginal – the proportion of pensioners in the bottom fifth of the income distribution has declined much less. But the link between retirement and poverty is no longer as strong as in the past.

Yet an increasing number of pensioners find themselves with less than half average income, enjoying little or none of the fruits of economic growth. They depend on the basic state pension which has been increased in line with prices since the ending of the link with average earnings in 1980. To tackle their poverty by restoring the link with earnings would be foolish, however. With the growth of occupational pensions and other forms of investment income, a growing minority of pensioners is in the top half of the income distribution. Far better to target additional resources on those who depend only on the state pension.

There is nothing inevitable about the falling living standards of the poorest in a society that is steadily getting richer. But tackling the problem needs subtle if modest steps, rather than simple big ideas that grab the headlines.

Tiger cub starts to find its feet

Hefty obstacles remain, but the Philippine economy could be on the road to recovery, says **Victor Mallet**

A year ago the Philippine capital Manila was a miserable place even for the rich. Executives sat sweating and cursing in their offices through frequent 12-hour power cuts without air-conditioners or fans to combat the summer heat. Factories were often idle, and the economy, long since left behind by fast-growing Thailand and Malaysia, was stagnant.

The previous government of Mrs Corazon Aquino had failed to invest in new power stations. Hardly anyone dared hope that her chosen successor, President Fidel Ramos, would succeed in turning on the power and launch an economic recovery by mid-1994.

But he did both. "Fast-track" power station projects have restored electricity to the industrial centres of the Philippine archipelago, and economic growth is accelerating after a series of reforms to liberalise finance and industry.

"That is what I predicted from day one of my administration," said the cigar-chomping Mr Ramos in an interview with the Financial Times at the Malacañang palace in Manila. "We have started to reverse the downtrend of the past."

For years the Philippines has been a notorious laggard among south-east Asia's tigerish economies. Since 1980, according to the International Monetary Fund, real gross national product has increased by only 1.5 per cent a year (below the population growth rate of 2.5 per cent) compared with an average 7 per cent for the other five members of the Association of South East Asian Nations.

This year, GNP growth in the Philippines could reach about 4 per cent, and economists say the government should soon be able to achieve its target of sustained 6 per cent annual growth.

Mr Ramos and his cabinet maintain that the Philippines has finally turned the corner. "Think of the Philippines as a tiger cub," Mr Roberto de Ocampo, the finance secretary, told a business conference recently in Singapore. "The Philippines is back in business."

Financial institutions have endorsed Mr Ramos's optimism. "On the road to recovery," declared a report from CS First Boston, the investment bank. "Go towards the light!" said UK investment bank Barclays de Zoete Wedd. "It really *is* about to happen." Investors in the local stock market, Asia's top performer last year with a rise of 132 per cent in US dollar terms, clearly think so, too.

Scepticism, however, lurks beneath the surface. Some Filipino and foreign investors in Manila say their hopes have been raised and then dashed so often in the past that they refuse to be euphoric now.

Corruption and bureaucracy are still rampant. And economic growth, the sceptics say, could easily be stalled by militant workers demanding higher wages – already high by south-east Asian standards – as soon as recovery appears. Earlier this year, in the face of demonstrations, the government withdrew a levy of one peso (about 2½p) per litre on petroleum products to help plug the budget deficit.

It may be true, the critics add, that the IMF is poised to approve Manila's economic policies with a three-year, $650m loan this month, but the country has implemented no fewer than 22 IMF programmes in 30 years, with little sign of improvement. "We would like them to be Switzerland by now, after all those programmes," said one foreign banker.

Mr Ramos and his government colleagues say the pessimists have forgotten to take into account the country's peculiar history. Much of the blame for its poor performance can be laid at the door of the late dictator, Ferdinand Marcos, who came to power in 1965. He mired his country in debt and fostered a culture of protectionism, import substitution and monopolies for his friends – a "crony capitalism" that contrasted sharply with the export-led growth of other economies in the region.

Mrs Aquino toppled Marcos in the popular uprising of 1986, but restoring a measure of political stability has taken nearly a decade; while still armed forces chief, Mr Ramos had to protect Mrs Aquino from seven attempted right-wing *coups d'état*.

"Her job really was to ensure the political empowerment of our people, and I was part of that," said Mr Ramos. "But the economic side was not really attended to. Evidence: electric power."

Mr Ramos, a methodical man known as "Steady Eddie", was himself elected president two years ago for a six-year term. Even those who doubt that the Philippines can catch up again with its Asian neighbours – the economy was one of the strongest in the region in the 1960s – give credit to Mr Ramos for his achievements so far.

Apart from restoring electricity to Manila by farming out power station contracts to private investors, such as Hopewell of Hong Kong, his administration has ended foreign exchange controls on current transactions, relieved the central bank of debt accumulated during the Marcos era, and continued the privatisation programme begun under Mrs Aquino. Among the assets sold to raise much-needed revenue for the state are stakes in Philippine Airlines and in Petron, the oil refiner and fuel distributor.

The telecommunications sector, once the protected fiefdom of Philippine Long Distance Telephone, has been opened up to foreign and local competitors, a move expected to improve the country's inefficient telephone network rapidly.

In the past few weeks, the government has liberalised the banking sector, by ending a 45-year ban on the entry of foreign banks. It has also pushed through the two houses of Congress a measure to increase the scope of value-added tax and other revenue-raising measures which claw back money lost by the failure to maintain higher fuel prices.

"These are laws that should have been put in place 40 years ago, but we are doing it now," Mr Ramos said of his economic legislation. Unlike Mrs Aquino, Mr Ramos has so far been able to cope with the political system inherited from the US, which succeeded Spain as the country's colonial power in 1898, and to work through the Congress to enact legislation. "I'm not experiencing the gridlock that you [foreign commentators] always accuse the Philippine leadership of having," he said.

The economic reforms that have been enacted have been achieved in an atmosphere of political stability not witnessed for 15 years. Negotiations have dragged on with rebel right-wing military officers, communists and Moslem separatists in the south, but none of these groups seems as formidable today as when the economy was in decline.

"Sometimes you go for stability but you lose out on growth," says Mr Erico Claudio of stockbrokers James Capel in Manila. "Now we're getting both."

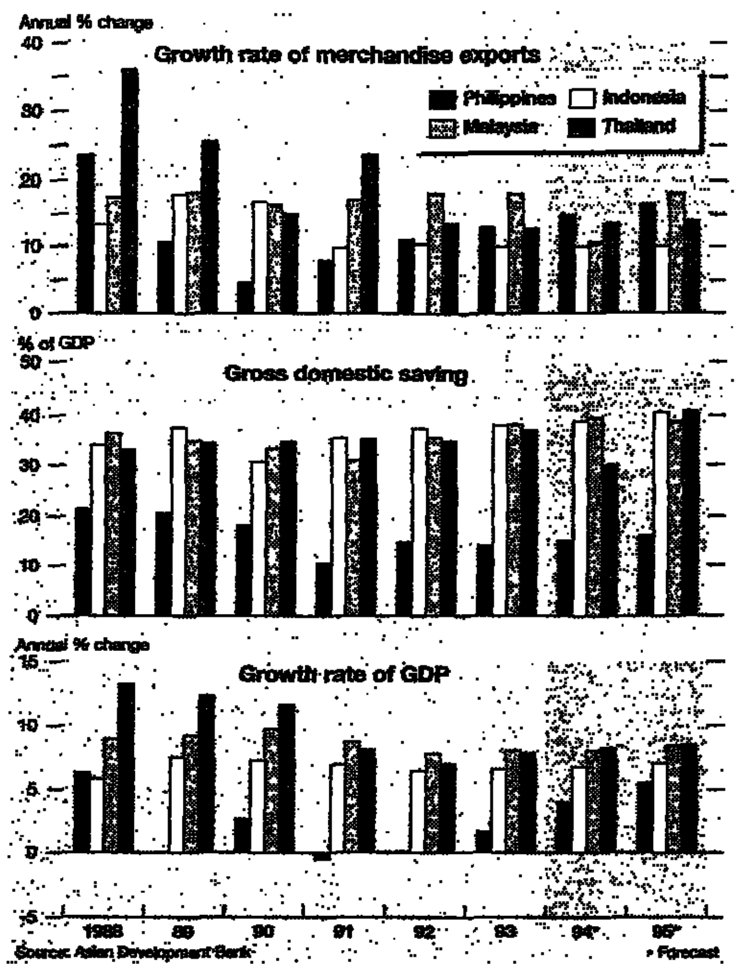
Some hefty obstacles still need to be overcome if economic reforms are to succeed. Each year the population of this predominantly Roman Catholic country increases by 2.5 per cent, which means that the economy has to grow at the same rate just for per capita income to hold steady. Natural resources – trees, fish, soil, fresh water – are being consumed or damaged at an alarming pace by the country's 66m inhabitants.

Compared with its neighbours, the Philippines has low rates of saving and investment. And although the budget deficit has been held at less than 3 per cent of gross domestic product for the past three years, so much of the revenue is spent paying salaries for the bloated civil service and on servicing foreign and domestic debt that little is left for capital spending on roads and other infrastructure required to support economic progress.

Mr Ramos nevertheless believes he can put the Philippines firmly on the road to recovery by the end of his term in 1998. He says, further, that he can do this within an argumentative democratic system regarded as too weak and divisive by successful Asian authoritarians such as Mr Lee Kuan Yew of Singapore. "Stick with us. We'll show you in two or three years," said Mr Ramos. "The Philippines is still the model of respect for human rights and democracy in south-east Asia."

Fostering rapid economic growth and ensuring a constant supply of electricity are considered routine government tasks in south-east Asia these days. But to do so in a liberal democracy, complete with a free press and the sort of unlimited public debate found in the Philippines, would be a memorable achievement.

Philippines: prosperity round the corner



Source: Asian Development Bank * Forecast

Russia – not the country you expect

PERSONAL VIEW

Western perceptions of Russia are still desperately awry. Intelligent friends still ask whether there is enough to eat. Such excessive pessimism has scared off western business, so that great opportunities are being missed. Western business needs a balanced view of the pluses and minuses. Let me begin with the pluses.

Russia has privatised at a rate unknown in history. By now two-thirds of Russian industry, big and small, is in private hands. Most shares are fully tradeable, to foreign buyers as well as Russians.

Shares are cheap. If you spend $1,000 to buy "vouchers" and exchange these for a representative portfolio of shares, you will end up owning capital that produces $20,000 of output each year (at present exchange rates). The comparable output figure for shares bought on the London stock market would be about $500.

From July 1, a new wave of privatisation will begin, covering the rest of industry and huge chunks of oil, gas and telecommunications. These shares will be sold directly for cash, by investment tender, and (given the low purchasing power in Russia) many will represent bargains.

As well as a big domestic market, Russia has other advantages. In natural resources, it has amazing reserves of oil, gas, diamonds, nickel, aluminium, uranium, iron ore and land.

It is also rich in human resources: an extraordinary supply of well-trained engineers, and a good general level of education in science and mathematics. Business education is minimal but the commercial spirit is widespread. Industrial relations are good. There has been almost no social unrest.

Some western companies have noticed all this. They are investing in all kinds of industries, generally with the Russian home market as the chief initial target. Thus we see foreigners in food, drink and tobacco (Mars, Pepsi, Philip Morris), retail and fast food (Littlewoods, McDonald's), engineering (ABB, Otis), telecoms and gas, financial services, hotels, real estate.

There are, of course, some major problems:

- Production: output of manufacturing and mining has fallen by 25 per cent in the last year. But much of this fall is in military hardware, obsolete capital equipment, and ill-designed consumer products. By contrast total household consumption actually rose – by 4 per cent, according to official figures (of

Business education is minimal but the commercial spirit is strong. Industrial relations are good

income, minus saving), or more than 15 per cent, according to household surveys. Average food consumption is back to 1991 levels.

- Inflation: this is still high, but it has been reduced from 25 per cent a month in early 1993 to less than 10 per cent. This is due to a massive credit squeeze, with real interest rates now above 5 per cent per month. With continuing high interest rates, inflation can be made to keep falling. But this requires political will.
- Politics: Russian politics is always difficult but is probably more stable now than at any time since the reform began. The government is a broad national coalition in which most of the key ministries are headed by reformers. Few westerners seem to realise this.

It is true that the Duma has a conservative majority, but its conduct has so far been moderate (except for the release of former vice-president Alexander Rutskoi), and its economic committees are chaired by non-conservative deputies. Vladimir Zhirinovsky, leader of the Liberal Democratic party, will run for president in December 1995, but his chances are poor.

- Mafia. But openness in turn encourages crime. The mafia, already strong under communism, is now all-pervasive. Even so, the streets of Moscow are safer than in New York.
- Legal system. In fact, the biggest problem for foreign business is still on the legal front. On the one side property rights and commercial law are unclear and there is inadequate legal redress and law enforcement. On the other side there is still too much regulation, too much corruption and too many unpredictable taxes.

But Russia's leaders know all this. Only last month, President Yeltsin abolished virtually all export quotas and ordered further simplifications of laws and taxes.

Thus, beneath the ripples of conflict and contradictory action, there is a steady tide running towards a regular market economy. Most westerners who visit Moscow for the first time say: "Is this the country I have been hearing about in the media?" The best answer is: "Go and see."

Richard Layard

The author is director of the Centre for Economic Performance at the London School of Economics, and works with the Russian government's Centre for Economic Reform

OBSERVER

Gumming up the works

■ John Gummer clearly has a lot on his plate at the moment. The UK environment secretary's name appears on many people's lists for demotion in the expected summer cabinet reshuffle; for such a long-serving stalwart of successive Tory administrations, that prospect must concentrate the mind.

Enough, perhaps, to justify his 45-minute-late arrival on Wednesday evening at a bash organised by London First, the business-led organisation to promote Britain's capital.

Sir Terence Conran, Stuart Hampson of the John Lewis Partnership and Sir Brian Jenkins of Coopers & Lybrand were among 100 guests of Christopher Moran – the former insurance broker expelled from Lloyd's 12 years ago – at a dinner to raise awareness of London's "intrinsic and enduring qualities".

Gummer chose to pick a fight with Sir Richard Rogers who, in his speech, delivered some home truths on the government's shortcomings over London.

The environment secretary took exception to Britain's leading architect pointing out that London's docklands was only 60 per cent completed after 15 years of regeneration. Nor did he much care for Rogers reminding the assembly that no other European capital has a large urban development that is inaccessible by public transport at the weekends.

Time for a new portfolio. Minister for cleansing the streets of beggars looks a possibility . . .

Young buffer

■ Who says that the Swedes don't have a sense of humour? Lars-Olof Odlund, an executive VP with Swedbank, was so chuffed when his bank won the Swedish State Railways bank account that he felt it was worthy of announcing to the London Stock Exchange.

The banker said it confirmed that Swedbank is "moving in the right direction. Or perhaps I should say on the right track..."

Ho, ho, Lars.

Bucking the bangs

■ Why is it taking Britain's Ministry of Defence such a long time to find a new chief arms dealer? Sir Alan Thomas, current head of the Defence Export Sales Organisation, steps down at the end of June. But a replacement has yet to be announced – even though the MoD advertised the job last September.

On offer is plenty of overseas travel, hob-nobbing with heads of state, and (normally) a knighthood – it helps impress overseas clients.

Admittedly, it also sometimes involves rubbing shoulders with types who might not get into your club. But these days it's a chance to run one of Britain's great success stories: the UK is now the world's number three arms seller.

It seems the MoD had little luck with headhunters, and has now fallen back on the old boy network. The word is that a distinguished naval officer declined the honour, and the idea of the MoD promoting one of its most senior civilians appears to have been dismissed.

Still, Observer understands that the search is now drawing to a close. Subject to cabinet approval, Britain's new top salesman will be a marketing chap with a background in blue-chip companies closely associated with the government.

'We're not so much dawdling in the slow lane as stuck in the contraflow'

Size counts

■ At last a Texan put-down. The populist American daily newspaper, USA Today, has put the recent blizzard of South African coverage into perspective.

It informs its readers that South Africa's 1993 gross domestic product was $100bn – "about the same as Minnesota's". But proud South Africans can comfort themselves with another fact. At least it's quite large; 470,882 square miles, says USA Today – "almost twice the size of Texas".

Smartypants

■ So, Liberal Democrat leader Paddy Ashdown buys his clothes from Marks and Spencer. We always knew he had much in common with Baroness Thatcher, who in 1986 admitted purchasing M and S underwear.

But does he persuade the store to open its doors early for him to make his purchases, as happened for health minister Virginia Bottomley, and Norma Major, the prime minister's wife? Given that the Lib-Dems have complained to the BBC about the lack of coverage of their Euro-election campaign, what better way of gaining attention than by asking M and S to open up a little early so Paddy can buy his suits?

Combat ready

■ Admiral Leighton Smith, USN, Nato's C-in-C South, the man who has to rain down fire and brimstone on Bosnian Serbs when they incur the wrath of General Sir Michael Rose, recently visited Bosnia to get a clearer picture of the people he might be bombing. He got more than he bargained for.

Rose took him to the Serbs' north-eastern corridor near Brcko, reputedly now one of the hottest spots in the war. They found a sole elderly and somnolent shepherd who, spotting the admiral's medals, struggled to his feet and saluted.

"You're obviously a military man," ventured Smith. "May I ask who you fought for?"

"For Germany," replied the shepherd proudly. "Heil Hitler!"

Stately home

■ What does Alan Clark, Britain's wayward ex-defence minister, have in common with a floor tile?

Lay him well and you can walk over him for ever.

FINANCIAL TIMES
Friday June 3 1994

Companies lured by cheap production, survey shows

Japan looks to low-cost areas

By William Dawkins in Tokyo

Japanese companies plan to boost low-cost production in other Asian countries next year, when their overall capital spending is expected to rise for the first time in three years, according to a government survey released yesterday.

Corporate Japan plans to increase total investment in plant and equipment by 1.1 per cent in the year to next March, according to a study of 1,615 companies by the Ministry of International Trade and Industry.

This is a sharp change from the 0.1 per cent investment decline forecast in Miti's most recent survey of this type, released last October, and the latest in a recent series of moderately bright economic indicators. Capital investment fell by 8.7 per cent last year.

Direct investment in other Asian countries in the coming year will leap to 37.5 per cent of total foreign investment, up from 16.4 per cent in the previous year, emphasising the Japanese focus on expansion in China and south-east Asia.

Investment in new plant in other Asian countries is forecast to rise 26 per cent, a spectacular turnround from last year's 2.6 per cent fall, according to the Miti survey. Within this, manufacturing industry is forecast to increase Asian investment outside Japan by 56.1 per cent.

The long-term shift of production out of Japan paused slightly during the recession. But the Miti survey suggests it is now on the verge of a second advance.

This is a response to the yen's renewed strength in the past year and reflects manufacturers' strategy of adding component plants to the basic assembly lines they established in east Asia during the late 1980s.

This trend has already prompted concern within Japan that its manufacturing industry will be "hollowed-out" by the shift of production abroad.

Japanese investment in China is now aimed at capitalising on the strong growth of domestic demand, along with taking advantage of the country as a low-cost production site for exports.

In areas outside Asia, improvement in corporate investment appears to be patchy. Manufacturers expect to cut spending by 3.5 per cent across the board this year, a less severe reduction than the 19.6 per cent cut last year. Service industries and utilities forecast a 3.6 per cent rise.

Oliver North's political fate hinges on state convention

By Jurek Martin in Washington

Some 14,000 registered Republicans from the state of Virginia will decide tomorrow if Mr Oliver North, of Iran-Contra notoriety, has a political future.

The probability, but not certainty, is that the party convention in Richmond will nominate him to contest the seat to be defended by Senator Charles Robb. This assumes the incumbent survives the Democratic primary on June 14 – his opponents have made much of his confessions of marital infidelity.

If Mr North and Mr Robb, the objects of much hostility in the state and elsewhere, emerge as the candidates of the two established parties, independent bids are likely to follow and make Virginia the most fascinating, if least edifying, of the national mid-term elections in November.

Mr Doug Wilder, the state's former Democratic governor, is poised to enter as an independent, as may Mr Marshall Coleman, the former Republican state attorney general who was beaten by Mr Robb for the governorship in 1981 and by Mr Wilder in 1989.

But all eyes this week are on Richmond and the Republican convention's secret ballot between Mr North and Mr James Miller, the former budget director in the Reagan administration. With fundamentalist Christian and right-wing support well organised for Mr North, the staid and conservative Mr Miller, previously little known in the state, appears to face an uphill battle.

National Republican strategists are nervous of the predictable tub-thumping appeals to very conservative values at the state convention. As one local political analyst put it: "Oliver North is a bomb thrower and the fundamentalists want a bomb thrower."


Oliver North: looking for the Republican nomination Picture: AP

Mr Miller is not without support from some famous conservative names, including Mr Ronald Reagan, who has condemned Mr North for lying about what the then-president knew during Iran-Contra. This was a scheme in the mid-1980s to sell arms to Iran aimed at securing the release of US hostages in Lebanon. Simultaneously funds were diverted to Contra rebels in Nicaragua in defiance of Congress. An editorial in the Wall Street Journal this week, aptly headlined "Virginia reeling", concluded that Mr North could not win in November but that Mr Miller could because Republicans would unite behind him.

But nothing compares with the fury exhibited by Virginia's other senator, the Republican Mr John Warner, at the prospect of being joined in Washington by a man he considers unfit to hold public office and to represent the Republican party.

Mr Warner is not only threatening to bolt from the party and campaign as an independent when he runs for re-election in 1996, but is also urging Mr Coleman to get into the senate race, if Mr North is the nominee.

Paradoxically, an evenly divided four-way contest might increase, rather than diminish, Mr North's chances. His hardcore support seems very loyal, which is more than can be said for any of the other prospects.

OECD jobless proposals

Continued from Page 1

Similarly, Germany, with its highly developed vocational training system, would have less reason than the US to heed the organisation's advice on easing the transition of young people from school to work.

The paper will be discussed by ministers in Paris on Tuesday. The support of member states is regarded as certain following lengthy consultations among officials in various OECD committees. Once endorsed, the document will form the basis of further discussions on combatting unemployment among the Group of Seven leading industrial countries at their economic summit in Naples next month.

Bonds recovery boosts London market

By Conner Middelmann and Terry Byland in London

UK government bonds staged a recovery yesterday, giving a strong boost to the London stock market.

Dealers reported cautious investor buying of long-dated gilts, where yields had risen close to 9 per cent earlier this week. However, some warned the recovery was largely a technical correction after the market had been heavily oversold in recent days.

"The recovery doesn't reflect a significant shift in people's attitudes," said Mr John Kendall, chief economist at Baring Brothers. "I think we have further to go before things calm down," he cautioned.

Bond prices were also helped by short covering in the futures market where traders squared their positions ahead of today's release of US May employment figures.

The London stock market, helped by the gilt rally and a stronger performance from stock index futures, shrugged off its prolonged run of weak sessions. The FT-SE 100 index recorded its best daily gain for the year, closing at 2,980.8, a rise of 48.9. It was the biggest daily advance since December 29 when the FT-SE 100 jumped 49.7.

In the gilts market the 8¾ per cent gilt due 2017 rose more than three points to around 103¼, to yield 8.41 per cent. The September contract of the long gilt future traded on Liffe, the London futures and options exchange, jumped more than two points to 100$\frac{11}{32}$.

Europe's other bond markets put on a patchy performance, but many traders said the heavy selling of recent sessions had abated.

International bonds, Page 20
London shares, Page 37

THE LEX COLUMN

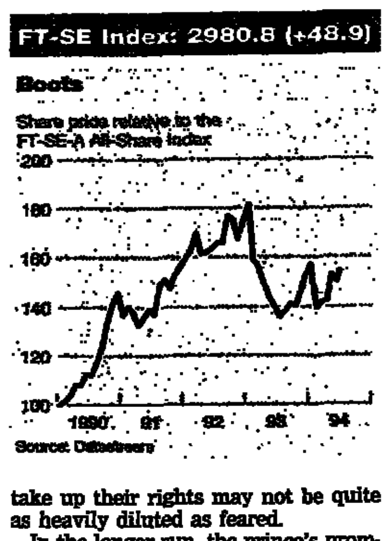
Tonic from Boots

Boots has again confounded its critics by widening margins in its chemists chain on rising sales. Since most of the headaches acquired with Ward White are also showing improvement – Halfords in particular is starting to perform – yesterday's 4 per cent rise in the shares looks justified. Still, Boots is earning only £7m operating profit on retail turnover of £900m outside the chemists business. It cannot afford to rest on its laurels. Do It All and AG Stanley continue to defy their parent's much vaunted retail skills.

With £150m cash in hand – including the proceeds from the sale of Farley's – Boots can also afford to look for growth elsewhere. The cash position would strengthen further if it decides to get out of prescription pharmaceuticals, although piecemeal disposals look more likely than an outright sale or – given its experience with Do It All – joint ventures. The snag is that credible investment opportunities are thin on the ground. The retail side of the business is generating cash faster than Boots can spend it. Diversification has rightly been ruled out.

The best hope for expansion lies in over-the-counter medicines. But such acquisitions do not come cheap. Boots would be bidding against the giants of the pharmaceuticals industry should larger brands become available. It is also doubtful whether Boots has the experience to compete as a serious force in the US. Smaller OTC acquisitions in Europe may thus be the best way forward, even if that means returning some cash to shareholders. Since Boots has still not shaken off the legacy of its last big move, investors might welcome such a cautious approach.

FT-SE Index: 2980.8 (+48.9)



Euro Disney

Prince Al-Waleed Bin Talal's enthusiasm to buy shares in Euro Disney is matched by Walt Disney's willingness to cut its stake. Given that the US media group knows the project better than the Saudi prince, that looks like yet another argument for selling the shares. Even so, the prince's involvement could help Euro Disney's forthcoming rights issue in a number of technical ways. For a start, it means there is less chance that the underwriters may have to unload hundreds of millions of unwanted shares on the market after the issue. It also makes it more likely that the issue price will be nearer the top of the FFr5-FFr10 range. So shareholders who do not take up their rights may not be quite as heavily diluted as feared.

In the longer run, the prince's promise to build a $100m convention centre should help fill Euro Disney's empty hotels. The hope must be that his involvement will also make it more likely that a second "gate" at the theme park is built. Given that the banks have a grip on future spending by Euro Disney, the company could probably not act on its own.

Of course, if the prince is as shrewd a financier as his investment in Citicorp would suggest, he will not be willing to give small shareholders a free ride on his convention centre. He will presumably negotiate a deal that ensures that the lion's share of the extra hotel revenues from the project flow to him rather than Euro Disney. Then again, if the prince is smart, he may indeed be buying into Euro Disney at the bottom of the roller-coaster.

Siebe

The reluctance of Siebe's share price to rise with the market after yesterday's full-year results suggests investors are not yet quite convinced that it can deliver strong organic growth in the recovery. That may be a bit grudging after the relatively strong second-half progress in controls which account for three quarters of all sales. Presumably the recession in the European automotive sector which held back the specialist engineering division will not last for ever, while there must be room for fairly rapid margin improvement at the new European acquisitions.

Changes in intra-company pricing may have reduced the tax charge, but they make it even harder for outsiders to analyse what is happening to margins. For example, transfer pricing changes may be one reason why margins in North America do not seem fully to reflect recovery there. The best test of Siebe's performance in the current year will thus also be one of the most basic – the extent to which overall sales are driven by organic growth. Despite the second-half improvement, last year's group turnover rose by only 2 per cent before currency changes and acquisitions.

Siebe's says it is now more interested in higher market share than margin enhancement. That may say something about the nature of an economic recovery in which prices remain under pressure. Yet Siebe's operating margin which remained high during the recession is already 14.3 per cent. If that cannot be improved much in the recovery, one wonders whether it will again defy gravity when the next downturn hits.

Privatised debt

Having sold its equity stakes in UK utilities, it makes sense for the Treasury to clean out the cupboard and sell its stake in their debt as well. Still, given the fragile state of the bond markets it must hope that the bulk of the proceeds come from purchases by the companies themselves. That way the government would be tapping a genuine new source of funds.

The incentives for the companies to buy back the debt are considerable. Not only does it free them of any associated covenants; it may be preferable to seeing the debt repackaged and sold on by merchant banks with whom the company has no direct relationship. But the debt is trading at a premium while the companies are carrying it at face value in their balance sheets. Those that buy it back must take a hit in their profit and loss account.

The first sales programme sought to get round this problem by adjusting the price at which companies bid for their own debt. Effectively it was reduced to take account of the future tax they would pay as a result of their lower interest charge. Doubtless that will again provide an incentive. Perhaps more important is the state of the markets. With long term rates so high, now may be a good time for the companies to move. The purchase premium is unlikely to fall much further. With luck the debt may be refinanced at lower rates later.

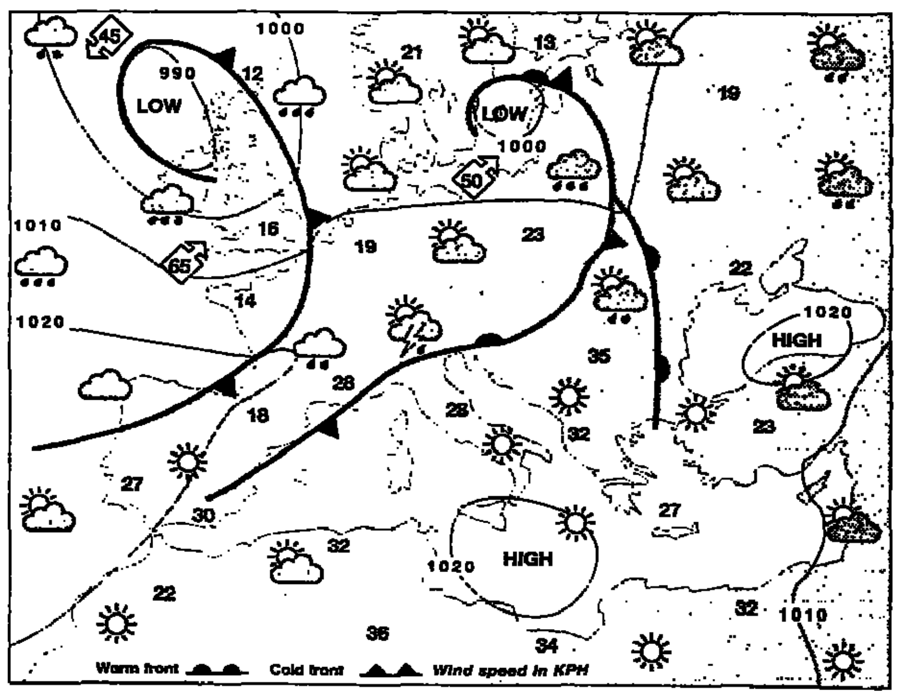
FT WEATHER GUIDE

Europe today

Temperatures will fall as cooler air crosses western Europe. The British Isles will be particularly rainy with near gale force westerly winds. The Benelux and France will have only isolated showers, perhaps with thunder. It will be hot to very hot in the Balkans, Greece and southern Italy where temperatures will exceed 30C. The Alps will be warm with an increasing risk of thunder showers. Hungary may also have thunder showers. Spain will be mainly sunny although northern areas will be cloudy with rain. Scandinavia will stay unsettled and mainly cool.

Five-day forecast

North-west Europe will be unsettled and cool over the weekend, but conditions will improve as an Atlantic high builds into France. South-east Europe will have a warm and sunny weekend followed by lower temperatures early next week. Scandinavia will continue cool and unsettled with a lot of rain in the south. The Mediterranean will stay warm and mainly sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	shower	29	Caracas	shower	27	Edinburgh	cloudy	14	Madrid	fair	30	Rangoon	shower	32
	Celsius		Belfast	rain	15	Cardiff	shower	15	Faro	sun	24	Majorca	fair	32	Reykjavik	rain	11
Abu Dhabi	sun	45	Belgrade	fair	37	Casablanca	sun	23	Frankfurt	fair	25	Malta	sun	31	Rio	cloudy	29
Accra	shower	32	Berlin	fair	25	Chicago	sun	23	Geneva	cloudy	25	Manchester	shower	15	Rome	fair	28
Algiers	sun	32	Bermuda	fair	29	Cologne	cloudy	23	Gibraltar	sun	28	Manila	fair	34	S. Frsco	fair	20
Amsterdam	shower	18	Bogota	shower	22	Dakar	fair	27	Glasgow	shower	15	Melbourne	shower	19	Seoul	sun	29
Athens	sun	31	Bombay	fair	36	Dallas	fair	32	Hamburg	fair	22	Mexico City	sun	25	Singapore	cloudy	32
Atlanta	fair	32	Brussels	shower	20	Delhi	fair	45	Helsinki	rain	18	Miami	thund	33	Stockholm	rain	14
B. Aires	fair	22	Budapest	thund	30	Djakarta	fair	32	Hong Kong	rain	29	Milan	thund	30	Strasbourg	fair	23
B.ham	shower	16	C.hagen	shower	19	Dubai	sun	44	Honolulu	fair	32	Montreal	sun	24	Sydney	rain	17
Bangkok	cloudy	36	Cairo	sun	33	Dublin	rain	15	Istanbul	sun	27	Moscow	shower	20	Tangier	sun	21
Barcelona	fair	37	Cape Town	sun	15	Dubrovnik	sun	32	Jersey	shower	14	Munich	fair	24	Tel Aviv	sun	29
									Karachi	sun	37	Nairobi	fair	24	Tokyo	sun	29
									Kuwait	sun	44	Naples	sun	30	Toronto	sun	21
									L. Angeles	fair	23	Nassau	thund	32	Vancouver	fair	18
									Las Palmas	sun	24	New York	sun	25	Venice	thund	28
									Lima	fair	23	Nice	fair	26	Vienna	thund	28
									Lisbon	fair	23	Nicosia	sun	34	Warsaw	shower	23
									London	shower	18	Oslo	cloudy	23	Washington	sun	26
									Lux.bourg	fair	21	Paris	shower	21	Wellington	fair	13
									Lyon	fair	26	Perth	fair	16	Winnipeg	fair	23
									Madeira	fair	22	Prague	cloudy	25	Zurich	fair	23

FINANCIAL TIMES
COMPANIES & MARKETS
Friday June 3 1994

IN BRIEF

Japanese bank merger hits hitch

A Japanese finance ministry-inspired plan to merge three regional banks has been delayed by opposition from staff and clients. Page 18

Hungarian hotels for sale
Hungary's privatisation authorities have put HungarHotels, the country's largest hotel chain, up for sale. Page 18

Boots advances 19%
Boots, the UK retailer, yesterday shrugged off problems at its pharmaceuticals and DIY businesses to announce a 19 per cent increase in underlying profits. Page 18

Nokia doubles to FM854m
Nokia, the Finnish telecommunications group, announced a preliminary operating profit of FM854m ($155m) for the first four months, more than double last year's FM362m. Page 18

Canadian bank advances 12%
Royal Bank of Canada profits rose 12 per cent in the second quarter profit because of strengths in retail and investment banking and the contribution from Royal Trust, acquired last September. Page 19

German group to offer mining shares
Metallgesellschaft, the German industrial group which came to the brink of bankruptcy in January, is about to unveil a public offer of its shares in Metall Mining which, at current market prices, are worth about C$500m (US$360m). Page 19

Australian drinks group eyes Europe
Coca-Cola Amatil, the Australian soft drinks group which is 51 per cent-owned by the Atlanta-based Coca-Cola Company, is to expand its presence in central and eastern Europe by buying out its parent's interests in Poland. Page 20

Contrarians in Tokyo
Japan's biggest investors, its life insurers, who own 12 per cent of the Tokyo equity market's capitalisation, have continued to sell shares even as the Nikkei index hit new highs. Page 20

MEPC rises in 'very active' half year
MEPC, the UK's second largest property company, has announced pre-tax profits of £47.6m for the six months to end-March, against £43.8m ($65.7m), after a "very active" half year, according to Lord Blakenham, chairman. Page 22

Trident spurs on VSEL
Pre-tax profits at VSEL, the submarine builder, rose 10 per cent to £61m ($91.5m) for the year to March 31. The company is enjoying peak profitability from the Trident submarine construction contract. Page 23

McAlpine to launch rights issue
Alfred McAlpine joined the queue of UK housebuilders launching rights issues to finance land purchases for expansion. Page 24

Boost for Euro Disney shares
Euro Disney shares in Paris rose 6 per cent – up FFr1.85 to FFr32 – after it emerged that an investor had stepped in to buy a stake in the troubled theme park. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

NEW YORK ($)				Soc General	614	+	12
Rises				Falls			
Best Buy	30¾	+	1⅝	AGF	467	-	10
Disney	44⅛	+	1	Ecco	754	-	19
Oracle	36¾	+	2¼	TOKYO (Yen)			
Falls				Rises			
JC Penney	50⅞	-	1	Daikin Inds	940	+	28
US Surgical	20⅜	-	1⅛	Hokuetsu Paper	735	+	21
Wal-Mart	22	-	⅛	Ihara Chem	1180	+	80
PARIS (FFr)				Mazda Motor	604	+	22
Rises				Yamaha Mot	940	+	27
Air Liquide	700	+	30	Falls			
Bouygues	649	+	20	Asahi Chem	780	-	19
CCF	226.9	+	8.9				

Frankfurt closed. New York prices at 12.30pm.

LONDON (Pence)				Wolseley	780	+	16
Rises				Yorkshire TV	300	+	24
Boots	522	+	22	Falls			
Bunzl	184	+	9	Bilham (J)	175	-	19
Euro Disney	385	+	15	Control Tech	442	-	45
Greggs	868	+	62	Eurotunnel	336	-	7
Kalamazoo	135	+	6	McAlpine(A)	241	-	18
Lloyds Abbey	358	+	14	Scottish TV	399	-	15
Micro Focus	1178	+	100	VSEL	928	-	50
Midland Bank	444	+	20	Vosper Thorn	740	-	24
Rank Org	379	+	20				
Sylvia Pickering	75	+	26				
Royal Ins	259	+	17				

Cost cuts and passenger increase enable Dutch airline to shrug off previous year's heavy losses

KLM returns to Fl 103m profit

Pieter Bouw: further cuts needed

By Ronald van de Krol in Amsterdam

A sharp rise in passenger traffic and continued cost cuts enabled KLM Royal Dutch Airlines to swing back into profit last year.

The Dutch national carrier posted a net profit of Fl 103m ($55.7m) for the year to March, reversing the previous year's heavy losses of Fl562m.

The improvement stemmed partly from a 17 per cent increase in passenger traffic. However, the continuing shift towards cheaper fares meant that turnover from passenger traffic increased by a more modest 8 per cent.

Overall, sales rose 5 per cent, well ahead of the 1 per cent increase in costs. KLM will not pay a 1993-94 dividend, as signalled earlier this year during its Fl1.3bn global share offer.

The strong recovery is also due to the fact that KLM no longer includes on its book the figures of Northwest Airlines, the US airline in which it owns a 20 per cent stake. In 1992-93, when KLM still carried Northwest's figures, the US airline accounted for much of that year's Fl388m loss from "holdings". Northwest has since moved back into profit.

However, even at the operating level KLM's results improved strongly, moving back into a profit of Fl86m from a loss of Fl252m.

Another reason for the improvement is the pension premiums "holiday" granted by KLM's pension funds in April 1993. Mr Pieter Bouw, president, said the airline would look into extending the holiday when it expires at the end of 1995.

KLM, involved in last year's abortive attempt to create a global airline with Swissair, SAS and Austrian Airlines, remained interested in developing strategic alliances with other medium-sized European airlines.

Mr Bouw said further cost-cutting was needed even though KLM compared favourably with most European carriers. "The airlines of the US and the Far East, which already operate at very competitive cost levels, are attempting to cut them still further."

He said KLM's search for greater flexibility was behind yesterday's announcement of the company's first operational lease for seven new Boeing 767-300s to replace its fleet of 10 Airbus 310s. The lease allows KLM to increase the number of aircraft and to adjust the length of the agreement.

Tenneco scales back Case spin-off in weak market

By Laurie Morse in Chicago

Tenneco, the US energy and industrial group, has scaled back plans for an initial public offering of its Case farm machinery subsidiary, cutting the size to 25 per cent of Case common stock. When Tenneco announced the plan in April, it said it would sell at least 35 per cent.

Mr Dana Mead, Tenneco's chairman, said the offering was reduced because stock market valuations for companies in machinery and other cyclical industries had weakened since the Case spin-off was first announced. "Since the company's performance thus far in 1994 has been strong, we are reluctant to sell more than 25 per cent at these levels."

Although North American farm equipment sales are up an estimated 16 or 17 per cent so far this year, helping to support Case's earnings, analysts forecast a slowdown in the second half, a factor that could have contributed to Tenneco's decision. Mr John Stark, editor of a Chicago-based equipment newsletter, predicts that the overall rise in farm machinery sales this year will be 12 per cent.

In its preliminary prospectus for the offering, Tenneco set a price range of $19-$22 per share. Wall Street analysts said this range was within expectations, though it fell short of the $25 per share some had suggested in April.

Tenneco said it expected the spin-off to bring in $335m-$385m. This compares with the $500m anticipated when the deal was first announced.

It intends to invest the sale proceeds in its automotive parts and natural gas businesses.

Case is Tenneco's largest division and the group intends to retain majority control. However, Mr Mead did not rule out a second offering of Case shares, saying Tenneco would reviewing its options later this year.

Tenneco's shares did not respond to news of the truncated offering, trading ⅛ higher at midday in New York at $48.

Case achieved first-quarter operating income of $81m on sales of $1bn, representing nearly a third of the Tenneco group's first-quarter sales and operating income. Marketing of the new Case shares will begin next week. The shares will be traded on the New York Stock Exchange.

Assurance on profit margins at Siebe

By Andrew Bolger

Siebe, the international controls and engineering group, yesterday reported a 20 per cent increase in profitability and sought to allay concern that it was suffering margin pressure.

The UK-based group increased pre-tax profits from £182m to £217m ($325.5m) in the year to April 2, while sales grew by 15 per cent, from £1.62bn to £1.86bn.

Mr Allen Yurko, chief executive, said the group's return on sales had dipped from 14.7 to 14.3 per cent, but this was attributable to acquisitions.

Underlying margins were slightly ahead, although the group was concentrating on increasing market share, rather than pushing up margins. Mr Yurko said the group had also adjusted intra-group pricing to take less profits in the US.

Mr Barrie Stephens, chairman, said the final quarter of the year confirmed indications of a considerable improvement in certain markets, particularly in North and South America and Asia.

He added that although there had been signs of improved demand, Siebe believed continental European and Japanese markets would remain subdued until the end of this calendar year.

Sales in the controls divisions, after excluding currency translation and acquisitions, increased by 5.9 per cent and were particularly strong in the second half. Mr Yurko said he was confident that these divisions would show real growth of 10 per cent in the current year.

Operating cashflow rose to £126m from £95m, and gearing fell from 66 to 25 per cent. Shareholders' funds rose by £208m to £950m, thanks mainly to last November's £184m rights issue.

The profits figure was struck after £17.3m of restructuring costs, down from £11.4m the previous year.

Earnings per share rose by 19.4 per cent to 31.4p (26.3p). A final dividend of 7.34p gives a total of 11p (9.86p), an increase of 11.6 per cent.

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Bernard Simon on why Seagram is shackled by its glorious past in its fight to expand

Bronfman Jr must show his Time machine works

Edgar Bronfman Jr made no secret this week of his irritation with the speculation that has billowed around Seagram, the international drinks group controlled by the Bronfman family.

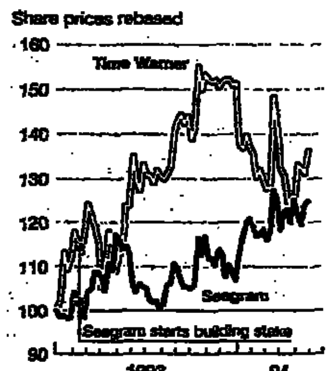
Making his debut as Seagram's chief executive at the annual meeting in Montreal, Mr Bronfman hit out against "inaccurate and baseless" reports about Seagram's intentions towards Time Warner, the powerful entertainment conglomerate in which Seagram has a 14.99 per cent stake.

Mr Bronfman's concern is understandable. Seagram's new 39-year-old CEO carries an immense burden. He needs to show Seagram shareholders – not least his father and uncle, who remain co-chairmen – that he can match the accomplishments of his grandfather, Sam Bronfman, who transformed a small Canadian liquor business into the world's biggest drinks company, and his father, Edgar Sr, who in his 23 years at the helm has greatly enlarged what "Mr Sam" started.

In particular, the younger Bronfman has to convince outsiders that Seagram's $2bn investment in Time Warner is a wise one. The entertainment group has been very much his project since Seagram secretly started buying shares in February 1993.

Edgar Sr said minutes before the annual meeting: "He's got great judgment. For a young man of 39, he's got great wisdom."

Time Warner/Seagram



Source: Datastream

During his 14 years with Seagram, Edgar Jr is credited with moving its liquor business away from mass-market, low-profit brands, and with spearheading two bold acquisitions.

The 1987 purchase of Martell, the French cognac producer, has given Seagram a strong foothold in the Far East. Mr Bronfman indicated this week that expansion in this part of the world, especially in China and India, would be a high priority under his stewardship.

Another initiative was the 1988 acquisition of Tropicana Products, a leading US orange juice producer. Although Seagram had hoped for stronger earnings growth from Tropicana, it remains confident that the rising popularity of fruit juices and Tropicana's high market share will eventually pay off.

Mr Bronfman provided further evidence of a fresh approach by unveiling a top-to-bottom "re-engineering" of Seagram's operations. Over the next two to three years, every part of the company will come under intense scrutiny in an attempt to cut costs and improve performance.

None the less, the dalliance with Time Warner has so far failed to excite investors. The Time Warner stake has barely been reflected in Seagram's share price, which stood at $31.13 on the New York Stock Exchange yesterday.

Critics are concerned that Mr Bronfman may be biting off more than he can chew, especially bearing in mind Time Warner's $15bn debt. They have been quick to cast doubt on the Time Warner investment by pointing to Mr Bronfman's fascination with show business, including his early career as a film-maker. These reservations have been fanned by the entertainment group's apparent reluctance to give its new shareholder a seat on the board.

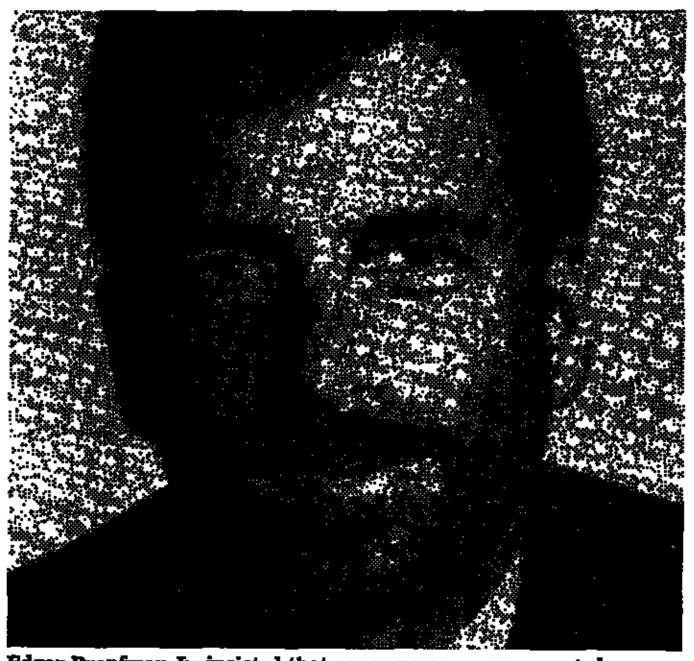
Mr Bronfman insisted this week that the concerns were "unwarranted". He maintained, as Seagram has all along, that the purchase of the Time Warner stock is a passive investment that follows the pattern set by Seagram's 25 per cent stake in Du Pont, the US chemicals group.

Seagram has no plans at present to lift its Time Warner stake above 15 per cent and Mr Bronfman pledged not to take "any action that will undermine our financial strength". He insisted: "There is nothing wrong, in my view, with anyone being interested in what is clearly the fastest-growing, most global industry in North America".

According to a recent article in the New Yorker magazine, the investment was the culmination of a lengthy process which included consultations with several outside advisers and a look at many other sectors, including luxury goods and fragrances.

Ms Irene Nattel, analyst at Barclays de Zoete Wedd in Montreal, supports Mr Bronfman's view, noting that Seagram "has consistently done exactly what they said they were going to do".

There is one important difference, however, between Seagram's investment in Time Warner and its stake in Du Pont. The chemicals group has been a



Edgar Bronfman Jr: insisted that concerns were unwarranted

motherlode to Seagram. Without Du Pont's dividends, which have totalled $575m over the past two years, it is unlikely that Seagram would have been able to afford Martell or Tropicana.

The returns from Time Warner are unlikely to be so generous in the short term, given its heavy debt burden and the enormous capital spending commitments of the entertainment, cable-TV and communications industries.

But Mr Bronfman asked Seagram's shareholders for patience. He predicted that Time Warner's profits and the value of its shares would rise "dramatically" over the next five to 10 years. The stature of the third generation of Bronfmans will hinge on whether this prediction comes true.

UK to raise £1bn-plus in sale of company debt

By Peter John

The UK Treasury plans to raise between £1bn and £1.5bn ($2.25bn) this summer through the sale of bonds issued by privatised companies, including British Telecommunications, the power generators and regional electricity distributors.

Salomon Brothers, the US investment bank acting for the Treasury, said yesterday that the privatised companies were being offered the first chance to buy back their debt. The companies have been asked to submit indicative bids for the debt by June 17, after which the Treasury will draw up a list of the bonds to be offered for sale.

Investment banks will also be offered the chance to indicate the price at which they feel they can sell the debt to outside investors. The Treasury hopes this element of competition will maximise the return to the UK taxpayer.

The Treasury still holds about £2.75bn of debt from former nationalised industries, about half of which was issued by BT.

This summer's sale of debt forms part of the £5.5bn privatisation programme for 1994-95. The programme, announced in last November's Budget, includes receipt of final payments for BT3 shares and the sale of remaining stakes in the generators.

Salomon said recent turmoil in bond markets had not affected the ability of companies to issue sterling denominated debt in the primary markets. City economists said the sale was likely to succeed because of the quality of the companies – BT and National Grid, for instance, have AAA ratings, the highest possible.

But Mr Ian Shepherdson, of Midland Global Markets, cautioned: "The price of almost all debt and equity instruments has fallen and it might not go as well as previous debt sales."

Salomon said the privatised companies had expressed considerable interest in buying back their debt. In April, Eastern Electricity bought back debt with a face value of £118m for £145m. The companies will also have the option of converting the bonds, issued at interest rates of around 12.5 per cent, into debt at current market rates. The high coupons on the outstanding bonds mean that the Treasury expects to sell them at 10-20 per cent above their face value.

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Unions delay merger of Japanese regional banks

By William Dawkins in Tokyo

A plan inspired by the Japanese finance ministry to merge three small regional banks has been delayed by opposition from staff and clients.

Kita-Nippon Bank, Shokusan Bank and Tokuyo City Bank, all based in Tohoku, northern Japan, have shelved the accord which was due to be signed at the end of last month.

To the ministry's annoyance, unions at Kita-Nippon and Shokusan objected on the grounds that Tokuyo City's estimated Y100bn ($917m) of bad loans, larger than their own, would erode their banks' profits.

Mr Hirohisa Fujii, finance minister, had given the scheme his public blessing and said there would be more like it.

The banks' executives are now struggling to get the merger back on track and aim to call shareholders' meetings in the autumn in order to get approval.

This is an unusual blow to the finance ministry's strategy of encouraging stronger regional banks to take over weaker ones. The aim is to bolster weaker banks' balance sheets without a public bail-out, achieve economies of scale in the fragmented regional banking industry and avoid a crisis of confidence in regional institutions.

The government has guided at least three such mergers in the past three years.

Tokuyo City lost Y1bn before tax last year, down from a Y7.6bn loss in 1992, due to stock losses. The new institution, to be called Heisei Bank, would have deposits of Y2,190bn and 225 branches, making it the fifth-largest of the second-tier regional banks.

In another sign of the industry's continuing debt problems, Apollo Leasing, an unquoted leasing company with Y530bn borrowings, yesterday admitted that it was asking its creditor banks for a second cut in interest payments.

Apollo obtained a rate reduction two years ago, but says it cannot sell property collateral fast enough to finance payments. Like many non-banking financial institutions, Apollo borrowed to lend on the back of property, the value of which has collapsed during the recession.

Boots surpasses forecasts with 19% underlying profits advance

By Neil Buckley in London

Boots yesterday shrugged off problems at its pharmaceuticals and DIY businesses to beat the best City of London forecasts with a 19 per cent increase in underlying profits.

After exceptional charges of £68.5m, relating mainly to withdrawal of the Manoplax heart drug and restructuring of the Do It All joint venture, pre-tax profits rose 2.6 per cent to £415.9m ($626m) from £405.2m.

Before the charges, pre-tax profits were £484.4m - some £20m higher than forecasts - on turnover which increased 5.2 per cent to £4.17bn.

Buoyed by a proposed final dividend of 10.1p, lifting the total pay-out 12 per cent to 15p, the shares gained 22p to 527p in London.

Sir James Blyth, chief executive, said Boots was reaping the benefits of developing its own brand and vertical integration.

A higher proportion of own-label sales helped Boots the Chemists again to lift its operating margin - from 10.7 per cent to 11.5 per cent - with operating profits increasing to £322.9m from £285m.

Sir James Blyth: assessing merger and sale opportunities

Boots Contract Manufacturing, the cosmetics and healthcare business which sells almost two-thirds of its output to Boots the Chemists, in turn raised profits nearly a quarter to £16.2m.

Own-label sales were growing at Halfords and Boots Opticians, which both lifted profits, and at Children's World and Do It All which reduced their losses.

Boots and its partner WH Smith are selling 100 Do It All stores, reducing the chain to 140.

The prescription drugs business, Boots Pharmaceuticals, raised profits to £94.2m from £91.4m in spite of the failure of Manoplax, but Sir James said the strategic review of the business was continuing. He confirmed that a merchant bank was assessing merger and sale opportunities.

"This is a complex process and we won't be rushed," he said. "All options remain open."

Boots Healthcare International, the over-the-counter drugs division, more than doubled operating profits to £6.6m.

Sir James is keen to expand Healthcare International through acquisitions and has the cash to do so. Boots transformed £203.8m debts into net cash of £69m - before £94m proceeds from the sale last week of Farleys baby foods to HJ Heinz - in spite of record capital spending of £224m. Much of that went on the retail businesses with Boots the Chemists adding 48 stores.

Earnings per share, after exceptional items, increased to 27.7p from 27p .

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Leif Hoegh in NKr195m purchase of shipowner

By Karen Fossli in Oslo

Leif Hoegh, one of Norway's largest shipowners, has agreed to acquire control of Arcade Shipping, a small Norwegian shipowner, for NKr195m ($26.3m).

It is buying 83 per cent of Arcade from Reading and Bates, the US-based drilling contractor, and plans a full takeover of the company.

The deal is part of a package in which Reading and Bates has agreed to acquire a 46 per cent stake in an Arcade unit, Arcade Drilling, for NKr6 a share or an estimated NKr300m.

In addition, Reading and Bates will acquire Arcade Shipping's minority shareholding in Dragon Oil for NKr18.26m, representing book value of the interest.

Arcade's shareholders must agree to withdraw a legal claim against Reading and Bates for the US group's earlier purchase of Arcade Investment.

Leif Hoegh is paying NKr1.80 a share. Arcade's shares prior to news of the deal were trading on the Oslo bourse around NKr1.45. Leif Hoegh will make a similar offer to minority shareholders.

The deal brings to Leif Hoegh one bulk ship and three smaller RoRo ships. Leif Hoegh said that Arcade's fleet fits well with its own activities.

Havas in $30m joint venture

Havas, the French media and leisure group, is joining forces with New Line Cinema, a subsidiary of Turner Broadcasting of the US, to develop interactive computer games and multimedia products, writes John Ridding from Paris.

The companies will each invest $30m in a joint venture, called NHP Partners LP.

The joint venture, to be set up in the next few weeks, will analyse the markets, investment opportunities and set up a global distribution market.

HungarHotels sale draws interest

By Nicholas Denton in Budapest

Hungary's privatisation authorities have put HungarHotels, the country's largest hotel chain with 15 hotels, up for sale.

The sale, targeted at international hotel groups, looks set to become one of the most hotly contested privatisation transactions in eastern Europe this year.

The sale of 51 per cent of HungarHotels is expected to raise about $50m. CS First Boston, the US investment bank which is advising the SPA privatisation agency, said that 24 companies had registered initial interest.

The potential bidders, which have to submit preliminary offers by next month, are believed to include the Intercontinental, Forte and Holiday Inn hotel groups.

Intercontinental, owner of the Forum hotel chain, is thought to be interested in maintaining its connection with the Budapest Forum, which is operated by HungarHotels under a franchise agreement.

While foreign attention is likely to centre on specific hotels, the SPA is determined to avoid selling the group piecemeal.

The SPA wants to sell HungarHotels as a single entity and let the buyer take responsibility for subsequent restructuring.

The transaction represents the international hotel industry's - and other investors' - last chance to acquire an interest in an established hotel operation in Hungary.

Intercontinental lost the franchise of the flagship Budapest hotel, the Duna Intercontinental, when a consortium led by Marriot of the US offered $53m and won an auction for the property.

Two of Hungary's big three hotel chains have been privatised. Danubius Hotels was sold to portfolio investors, and Pannonia Hotels to Accor, the French hotel group.

The privatisation of HungarHotels has dragged on for four years, hampered by recession in the international hotel market, confusion over title to property and the need to trim an unwieldy company.

The company's management is known to have pushed hard for a stock market flotation, but HungarHotels' weak results made this route difficult to justify.

Profits, at the operating level, halved to Ft431m ($4m) in 1993 on turnover of Ft6.93bn.

The slow pace of work on the 1996 world expo in Budapest has begun to dampen expectations about tourist levels in Hungary over the next couple of years.

Speculation boosts Euro Disney

By Alice Rawsthorn in Paris

Euro Disney, the troubled leisure group, yesterday saw its shares rise FFr1.85 to FFr32.00 amid speculation that Prince Al-Waleed Bin Talal, the Saudi prince who plans to take a large stake in the company, was buying shares on the market.

Prince Al-Waleed on Wednesday stunned investors with the announcement that he intended to buy up to 24.5 per cent of Euro Disney after the company's forthcoming FFr6bn ($1bn) rights issue.

The prince, a nephew of King Fahd, has already made his name as an international investor by taking stakes in Citicorp and Saks 5th Avenue.

In the deal with Euro Disney and Walt Disney, its US parent company, he will buy any shares that are not taken up in the rights issue.

Under the terms of the deal the prince is entitled to buy, at the rights price, a maximum 24.5 per cent stake in Euro Disney by sub-underwriting the rights issue or buying shares directly from Walt Disney.

The prince approached Disney last summer through Carlyle, his Washington-based advisers. However, he appeared last autumn to have cooled on the deal as Euro Disney's financial problems escalated. He renewed contact with Disney five weeks ago when it became apparent that Euro Disney's banks would agree to a FFr13bn rescue package.

Market reports suggested the prince was buying Euro Disney shares to establish a stake before the company announces the terms of the rights issue at an EGM next Wednesday.

See Lex

Nokia beats market expectations

By Christopher Brown-Humes in Stockholm

Nokia, the Finnish telecommunications group, yesterday outstripped market expectations when it announced a preliminary operating profit of FM854m ($155m) for the first four months, more than double last year's FM362m.

Rising profits in the group's two main divisions, fixed telecommunications and mobile phones, were the main reason for the upturn.

There was a sharply reduced loss from the troubled consumer electronics division and a better result from the cables and machinery activities.

Sales climbed 21 per cent to FM8.56bn from FM7.09bn.

Underlying sales growth - which strips out the effects of currency movements, acquisitions and disposals - amounted to 33 per cent.

Nokia said fixed telecommunications and mobile phones sales had risen strongly, although it did not supply figures.

Consumer electronics sales declined slightly, while cables and machinery sales were largely unchanged.

Nokia, which is the world's second largest supplier of mobile telephones after Motorola of the US, said last week it planned to raise more than FM2bn of new equity through an international share issue.

Stet improves to L1,539bn

Stet, the Italian telecommunications group due to be privatised, reported a net profit of L1,539bn ($910m) for 1993, up from L1,425bn in 1992, agencies report.

Gross operating profit rose by L1,160bn to L14,.843bn on revenues 9.6 per cent higher at L29,800bn, Stet said.

Net debt at the end of the year stood at L22,085bn, a reduction of more than L800bn compared with the end of 1992.

The parent group reported a 1993 net profit of L787.3bn, up from L775bn a year earlier.

Technical investment totalled L8,400bn and cash flow rose 7 per cent to L10,126bn, the group said.

ING lifted by strong insurance operations

By Ronald van de Krol

ING Group, the Dutch financial services company, increased net profit by more than 25 per cent to Fl 501m ($270m) in the first quarter of 1994 from the same period of 1993.

Turnover was down slightly at Fl 9.31bn compared with F l9.40bn, partly reflecting the deconsolidation in April 1993 of two insurance subsidiaries, Orion and the NRG.

The profits advance was helped by strong insurance returns.

Pre-tax results from insurance surged by nearly 50 per cent to Fl 354m from Fl 243m. Sharp increases were reported for life and general insurance, while losses narrowed in ING's non-life business.

The deconsolidation of Orion and NRG meant ING was able to reduce most of its exposure to the loss-making reinsurance business.

ING's insurance operations in the Czech Republic contributed to profits for the first time in the quarter.

The jump in insurance profits contrasts with a more moderate 5.4 per cent increase in pre-tax banking profits to Fl 314m from Fl 298m.

For the whole of 1994 ING expects its results to at least match those for 1993.

Metallgesellschaft ready to quit mining

German group could raise C$500m from sale of Canadian stake, writes Bernard Simon

Metallgesellschaft has said little about the future of its extensive international mining interests in the six months since the ailing German group began its fight to survive heavy oil-trading losses.

The mining assets, held through MG's 50.1 per cent stake in Toronto-based Metall Mining, have merely been identified as a possible candidate for disposal as part of the group's scramble to raise cash.

Behind the scenes, however, MG is slowly but surely nearing the point of unveiling a public offer of its shares in Metall Mining which, at current market prices, are worth about C$500m (US$360m).

The offer is sufficiently close for MG, Metall and their advisers to be keenly watching investor response to the forthcoming initial public offering by Falconbridge, the Canadian nickel, copper and zinc producer. Due to be priced around June 15, the Falconbridge issue could raise C$750m.

Metall Mining officials will brief analysts in London today on the progress made in removing the obstacles to MG's withdrawal. They are likely to report that of three hurdles which needed to be overcome, only one of any substance remains.

The obstacles date back to 1987, when Metall was taken public as MG's vehicle for the expansion of its international mining interests.

Metall's varied portfolio includes a minority stake in the big Ok Tedi copper mine in Papua New Guinea, a controlling interest in Copper Range, an integrated US producer, and a string of valuable exploration properties stretching from Turkey to Australia.

Its top priority is to find or buy a big, low-cost copper deposit. In its non-copper businesses, weak zinc prices have led Metall to shift its focus to gold. Projects in Turkey and the Canadian province of Quebec are expected to double annual gold output to 320,000 ounces over the next couple of years.

Metall also holds significant direct and indirect equity stakes in Teck Corporation and Cominco, two of Canada's most prominent mining companies.

Last September, before MG's troubles surfaced, the German company parked its copper smelting and refining interests in Europe and Indonesia with Metall. Most of these investments are joint ventures. Metall's partners include Degussa, the German metals group, and Australia's MIM, as well as the Keevil family of Vancouver, who are large shareholders in Teck and Cominco.

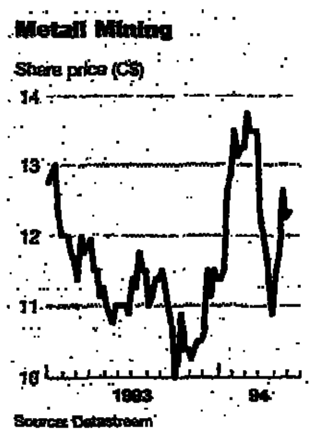
Ironic as it may seem, these partners demanded assurances when the projects were bundled into Metall that the fledgling Canadian company's stake would revert to its seemingly robust parent, if MG were to sever its ties with Metall. Under these agreements, MG would be obliged to pay Metall a fair market price for the assets.

Since MG's troubles surfaced, Mr Norman Keevil, chairman of Teck, has agreed to relinquish his right to require it to take over Metall's multiple-voting Class A shares in Teck if the German company spins off its stake in Metall.

In the event of a third party taking control of Metall, however, Mr Keevil will acquire voting rights over Metall's interest in Teck as well as the right to buy the shares himself.

Metall has also completed all but the formalities of an agreement under which it will peg its interest in Ok Tedi at 18 per cent, in partnership with BHP of Australia and the Papua New Guinea government.

The government, which will end up with 30 per cent, has pledged not to exercise its right of first refusal on Metall's shares when MG sheds control of the Canadian company.



Source: Datastream

The one outstanding problem relates to Metall's interests in Norddeutsche Affinerie in Germany and Austria's Brixlegg, two of the copper smelters which were transferred to it last year. It has yet to reach an agreement with MIM and Degussa, which have a first right of refusal on Metall's stake in the event of MG losing control.

Dr Klaus Zeitler, Metall's chief executive, told the annual meeting on May 12 that "we will either continue to own our shares in these smelters or we will be paid the fair market value of these assets".

Metall's attractions to prospective buyers include its string of blue-chip properties plus its sturdy balance sheet, which includes over C$1bn in equity and C$300m in cash and short-term investments.

The recent surge in copper markets has improved its prospects. A 10 per cent rise in prices would have boosted Metall's lacklustre 1993 earnings of C$1.3m by another C$21m.

Mr Ray Goldie, analyst at Richardson Greenshields in Toronto, recently raised his forecast of 1994 earnings from three cents to 16 cents a share, jumping to 62 cents in 1995.

However, Metall also has some weak spots, notably its 84 per cent stake in Copper Range. Besides being a relatively high-cost producer, the Michigan-based company is under environmental pressures either to close its smelter or modernise it at a cost of US$200m to $250m.

Metall hopes to double Copper Range's ore reserves and cut costs by extracting metal from pillars of previously mined-out areas.

Dr Zeitler expressed confidence at the annual meeting that Copper Range can be transformed "from a relatively high-cost producer to a modern, state-of-the-art, medium to low-cost producer within the next three to four years." But he acknowledged that progress will depend heavily on the absence of environmental "hiccups".

Italian bank approves plans for fund-raising

By Andrew Hill in Milan

The directors of Banca Commerciale Italiana, the newly privatised Italian bank, have formally approved plans to raise up to L2,362bn ($1.5bn) through the issue of new shares and warrants.

BCI said the fund-raising proposals would be put to shareholders next month.

The group said the cash raised would be used "to ensure the balance of the structure of the group, faced with further development of its activity as a 'universal bank', and to consolidate the traditional leadership position of BCI".

The bank issued a statement last week outlining the plans, following increasing market speculation about a rights issue. Shareholders will also be asked to approve further capital increases of up to L2,000bn over the next five years.

BCI is negotiating to buy a 1 per cent stake in Commerzbank of Germany, and is part of the consortium bidding for a large minority stake in Creditanstalt, the Austrian bank set for privatisation.

Royal Bank of Canada ahead 12%

By Robert Gibbens in Montreal

The Royal Bank of Canada has attributed a a 12 per cent gain in second-quarter profit to strengths in retail and investment banking and the contribution from Royal Trust, acquired last September.

The bank, Canada's biggest, said net profit advanced to C$273m (US$196.9m), or 74 cents a share, up from C$243m, or 64 cents, a year earlier. Total assets at April 13 stood at C$168bn, compared with C$143bn.

Return on average assets was 0.67 per cent, against 0.72 per cent last time. The 1993 period did not include Royal Trust.

Return on equity was 16.1 per cent, up from 13.7 per cent.

Mr Allan Taylor, chairman, said loan quality was improving, costs were being reduced, and Royal Trust operations were being integrated quickly. By June 30, the Royal Trust network will have been reduced by 41 units to a total of 101.

Net interest income at the bank itself was 2.87 per cent of average assets, against 3.09 per cent a year earlier.

Other income was up 33 per cent, with strong brokerage, investment banking and money management results. Royal Trust's contribution was C$84m.

Non-interest expense dipped 2 per cent and total payroll was down 5 per cent.

Provision for credit losses was C$205m, up slightly, and the total fiscal 1994 provision is forecast at C$830m, down from C$1.75bn. Total non-performing loans were C$5.8bn at April 30, down 24 per cent. The reduction was due partly to the fact that Brazilian debt now has performing status.

First-half net profit rose to C$573m, or C$1.56 a share, up from C$497m, or C$1.35, a year earlier. Return on assets was 0.70 per cent, against 0.72 per cent, and on equity 17 per cent compared with 14.3 per cent.

● Laurentian Bank, part of the Desjardins financial services group, posted second-quarter net profit of C$9.3m, or 44 cents a share, ahead from C$8.3m, or 38 cents, a year earlier. First-half profit was C$18.7m, or 88 cents a share, against C$15.8m, or 74 cents.

CIBC earnings rise 20%

By Robert Gibbens

Canadian Imperial Bank of Commerce, Canada's second-biggest bank, saw net profits rise 20 per cent in the second quarter, and 23 per cent in the first half.

Retail and corporate banking results were strong in the second quarter, said Mr Al Flood, chairman, and net non-performing loans declined for the fifth consecutive quarter.

However, the investment banking unit was slowed by volatile markets and lower trading activity.

CIBC's net profit for the three months ending April 30 was C$217m (US$156m) or 86 cents a share, against C$180m or 75 cents a year earlier. The latest period included C$18m from the sale of the bank's UK mortgage subsidiary.

First-half earnings were C$431m, or C$1.72 a share, compared with C$349m or C$1.49 a year earlier. Second-quarter return on assets rose to 0.61 per cent from 0.54 per cent, and on equity to 11.9 per cent from 10.8 per cent.

Non-interest income was strong. Wood Gundy, the investment banking unit, could not keep up the pace of the record first quarter, but still registered an increase on a year earlier. Net interest income rose 4 per cent.

Total assets reached C$147bn, up C$2.6bn.

Net non-performing loans at April 30 were C$1.98bn or 1.9 per cent of total loans and acceptances, down from 2.9 per cent a year earlier.

Loan loss provisions for fiscal 1994 were unchanged at C$880m, half of which was charged in the first two quarters. Actual loan loss in fiscal 1993 was C$920m.

● Cadillac Fairview, the North American property group which is restructuring its C$5bn (US$3.6bn) debt, has sold its half-interest in three Canadian shopping malls to the Ontario Teachers' Pension Plan Board for $150m.

Moody's downgrades Canadian debt rating

By Bernard Simon in Toronto

Moody's, the New York-based rating agency, has downgraded Canada's foreign-currency debt to reflect concern over growing federal and provincial borrowing requirements.

The downgrade, from AAA, the highest rating, to AA1, affects about US$8.5bn of securities, issued by the federal government as well as agencies such as the Export Development Corporation and the Canadian Wheat Board.

Loans denominated in Canadian dollars, which make up the bulk of government borrowings, are not affected.

Prices on the domestic bond market fell slightly after the Moody's announcement. Standard & Poor's, the other large rating agency, lowered its rating early last year.

Moody's said the federal government and the provinces face a "long and difficult" task in containing their respective debts. While recent deficit-cutting measures were expected to continue, the agency said that there was a risk "that a deviation from the medium-term programmes of a number of important public sector issuers could occur".

Corning adds to science business

Corning, the US specialty glass and laboratory services group, is acquiring Nichols Institute, a clinical testing company, in a deal valued at about $325m, Reuter reports from New York.

Corning, which will merge California-based Nichols Institute with its Corning Life Sciences unit, is paying $13 for each Nichols share.

Mr Albert Nichols, chairman of Nichols and holder of about 60 per cent of the outstanding shares of the company, said he would vote in favour.

Anglovaal to raise R300m

By Antonia Sharpe

Anglovaal, one of South Africa's leading conglomerates with interests in mining, food and diamonds, is seeking to raise R300m ($82m) through an international offering of low-voting 'N' shares.

According to bookrunner S.G. Warburg, this is the first international equity offering by a South African company since the country's general election in April.

The proceeds will be used to finance Anglovaal's planned acquisition of Willards, a South African potato-crisp manufacturer.

The issue's performance is likely to be closely monitored by other South African companies which are considering similar deals.

A total of 2.5m 'N' shares will be sold on a global basis, and they will also be available to US investors under the Securities & Exchange Commission's Rule 144A, which allows exemption from many normal disclosure requirements.

The shares closed at R130 in Johannesburg yesterday.

The company is due to start an international roadshow next week and the shares are likely to be priced on June 23, the day after the South African budget. The offer closes on June 30.

News that the International Finance Corporation, the private sector arm of the World Bank, will include South Africa in its global index with a weighting of 13 per cent has increased international investor interest in the country.

CCA to take over Polish interests of Coca-Cola

By Nikki Tait in Sydney

Coca-Cola Amatil (CCA), the quoted Australian soft drinks group which is 51 per cent-owned by the Atlanta-based Coca-Cola Company (CCC), is to expand its presence in central and eastern Europe by buying out its parent's interests in Poland in a cash deal. No financial details have been disclosed.

CCC made its first direct investment in Poland three years ago. It is one of three franchise owners for Coca-Cola brands in the country – the others being Ringes, a Norwegian bottler, and Brau, an Austrian brewer. Ringes also owns a 51 per cent interest in a Warsaw bottling joint venture, with CCC holding the rest.

CCA declined to say how much it expected to pay for its parent's interests, which cover brands such as Fanta, Sprite and Bonaqa as well as Coke and Coke Lite. It said only that total investment in the Coca-Cola "system" in Poland had amounted to around $300m, of which Coca-Cola had contributed "a fair amount".

CCA said the purchase would give it access to 22.4m consumers, plus a further 6m through the 49 per cent interest in the Warsaw joint venture. In volume terms, the parent company's Polish interests represent the supply of around 700m 8oz bottles a year. Assuming the deal goes ahead, CCA would own four of the seven manufacturing plants in Poland and add around 1,000 employees to its payroll.

CCA, despite its Antipodean base, has been steadily amassing Coca-Cola franchises in Austria and eastern Europe, as well as the Asia-Pacific region. However, it has only bought directly from its parent on two previous occasions: New Zealand and Indonesia.

The company said it expected further overseas expansionary moves in the future – which could involve either parent-owned or independent franchises and would not necessarily be concentrated in eastern Europe.

● Mr Dean Wills, Coca-Cola Amatil's managing director, yesterday announced that he was stepping down. CCA will appoint two joint managing directors – Mr Bill Gibson, currently deputy managing director, and Mr Norborne Cole, at present chief executive officer of Coca-Cola Beverages in France. Mr Wills stays on as chairman.

Further fall at Dentsu

By Robert Patton in Tokyo

Dentsu, Japan's largest advertising agency, yesterday reported its third year of profit decline, due to continued cuts in corporate advertising.

Pre-tax profits fell 16.7 per cent to Y13.1bn ($125m) in the 12 months to March, on sales down 4 per cent to Y1,196bn, the second year of declining turnover.

Dentsu said large clients in basic industries ranging from motor vehicles and appliances to banks and securities firms had reduced advertising budgets in response to the adverse economic climate. Television advertising revenues declined by 2.9 per cent, while newspaper advertising was down 6.2 per cent. Magazine and radio advertising also fell.

For the current fiscal year, however, Dentsu, which is unlisted, projects a 4 per cent rise in sales to Y1,164bn.

According to the company, big sporting events in 1994, such as World Cup soccer this summer in the US and the Asian Games this autumn in Hiroshima, will generate substantial advertising revenues for the firm. In addition, Japanese industry is assuming a more confident tone.

HK shipping group to seek listing in Oslo

By Charles Batchelor, Transport Correspondent

Jinhui Shipping & Transportation, a Hong Kong-based company with a large fleet of dry bulk freighters, plans an Oslo Stock Exchange listing. It will be the first Asian company to be quoted on the Norwegian market.

Jinhui, which is incorporated in Bermuda, will issue up to 49m shares to raise US$90m after costs at an indicative price of between $1.70 and $2 a share.

The company, which forms part of the Hong Kong-listed Jinhui Holdings, plans an international share offering as well as a smaller public offering in Norway. It will issue shares equivalent of up to 49 per cent of its equity.

The Jinhui move follows a recent trend for private shipping groups to seek public listings to raise their profile and improve their ability to raise funds to finance the renewal of their fleets.

Jinhui made a pre-tax profit of $11.6m on net revenues of $18.2m in the year ended March 1994. It expects to make a profit of $18.4m on net revenue of $30.5m in the year ended December 1994 after a change of its year-end.

The company has a fleet of 35 vessels active in trade with China. It also trades commodities such as steel products and non-ferrous metals and has investments in Chinese transport infrastructure projects.

The shares will go on offer to institutions from June 6 with the final price to be set on about June 20. The offering is being co-ordinated by Nomura International and Christiania Fonds.

In a separate move, Stolt Partner, an Olso-listed shipping company, announced plans for a $75m rights issue.

It will issue 15 new shares for every four held to fund, with additional loan finance, the purchase of five second-hand tankers valued at $121m and two new tankers from Stolt Parcel Tankers.

Life insurers selling despite Nikkei's rally

Japan's biggest investors need to lift declining returns on assets, writes William Dawkins

Something has been missing from the Tokyo stock market's rally this week.

Japan's biggest investors, its life insurers, who own 12 per cent of the equity market's capitalisation according to the Tokyo Stock Exchange, have on the whole continued to sell shares even as the Nikkei index hit new highs for the year for four days running.

Nippon Life, Japan's largest institutional shareholder, admitted it planned to sell at least Y315bn ($3.01bn) of shares before building up its equity portfolio again. Daiichi Life says it is a small net buyer, yet insurers in general have stayed on the sidelines.

Foreign institutions, convinced that Japan is in the early stage of a recovery, have greedily snapped up the unwanted stock, not the first time this year that they have provided the impetus for a rise in prices.

Other Japanese institutional investors, formerly sellers, have also turned buyers for fear of missing out on the share price rises.

Traditionally, life insurers have an unspoken public responsibility to support the market. Why have they changed?

Life insurers are selling shares because they badly need to boost their declining return on assets, according to a recent study* by Mr Andrew Smithers, a London economist. They can be expected to take every chance presented by a new rise in share prices to sell more, he predicts.

He cites a valuation by Tillinghast, a UK actuary, which suggests that the Japanese life insurance industry's liabilities may exceed its assets, if judged under more stringent international standards than used in Japan.

Japan's life insurers are mutual organisations and hence unquoted, so their financial pressures are less widely broadcast than is the case for banks and industrial companies.

According to the study, the problem is that over-dependence on low yielding equities (a consequence of a rush into the stock market during the share price rally in the late 1980s) has left the 27 leading life insurers with an average 4.3 per cent return on their Y148,000bn assets at the latest count in 1992.

Japanese life insurance industry: investment returns

(Y trillion)	1992	1991	1990
Total assets (mean)	148.0	136.0	123.2
Total income	6.4	6.4	7.6
Return (%)	4.30	4.74	6.17

Source : Smithers & Co

A return of 4.3 per cent however, is well below the 4.96 per cent return the study estimates they needed last year to cover payouts to policy holders.

Insurers have reacted to the problem by obtaining finance ministry permission to reduce guaranteed returns to corporate annuities, so requiring companies to increase direct contributions to their own pension funds, and by increasing premiums.

Japanese insurance portfolio managers have already started to switch strategy in response to the collapse of asset prices, but probably not enough, the study suggests.

They have become as stringent as Scottish investment trusts in valuing shares, according to stockbrokers in Tokyo. "If a company can't give its depreciation charges for the past 10 years down to the last yen, they won't even look at it," jokes one US broker.

Insurers have, as their recent share sales show, started to reduce their proportional exposure to equities, in the search for better performing investments. Equities accounted for 8 per cent of their net outflows last year, well below the 26 per cent of assets or Y40,000bn held in shares at estimated market value, the survey estimates.

But this moderate change in new investment flows is insufficient to lift the return on assets enough to meet current liabilities, says Mr Smithers. A wholesale portfolio reorganisation, away from low yielding equities into higher yielding bonds, is needed, he argues.

If life insurers were to move more equity funds and some of their Y9,700bn in cash and loans into government bonds, total returns could rise to 5.3 per cent, well above the required minimum, he calculates. This assumes equities yield 0.8 per cent and allows for the yield on the benchmark 10-year government bond to fall to 3.6 per cent, from its current 3.9 per cent.

The freedom of Japan's top investors to unload shares will however, be limited by their own and the finance ministry's desire, to avoid hitting prices. Yet the life insurers' asset problems are applying a little publicised brake on the Nikkei's ability to rise.

* *Japanese Life Insurance: The Industry's Problems and Stock Market Consequences. Smithers & Co Ltd, Sedgwick House, The Sedgwick Centre, London E1 8DX. Tel: 071-377-3765.*

NEWS DIGEST

India's Tata Chemicals gains 94%

Tata Chemicals, one of India's largest chemicals makers and a member of the Tata industrial group, has reported a 94 per cent increase in pre-tax profits for the year to the end of March to Rs2.2bn ($70.9m), due to higher demand and gains from investments, writes Stefan Wagstyl in New Delhi.

The company made Rs682.6m profit from investments, mainly the sale of a stake in Tata Oil Mills, another Tata group member, which was sold to Hindustan Lever, the Indian affiliate of Unilever, the Anglo-Dutch combine.

Without the investments gains, pre-tax profits rose 35 per cent to Rs1.5bn on a 31 per cent increase in sales to Rs6.4bn. Net profits rose almost threefold to Rs2.15bn.

Tata Chemicals said the results did not yet include contributions from new detergent, cement and fertilisers plants or from a recent expansion of soda ash capacity. These would all start contributing in the current financial year.

Flotation for Thai store operator

Siam Makro, the Thai cash-and-carry store operator, is to be offered to the public later this month at Bt50 a share, giving the expanding company a market capitalisation of around Bt12bn ($480m), writes William Barnes in Bangkok.

Earnings per share are forecast at Bt1.25 this year which puts the offer price on a 40 times price-earnings multiple. However, the company said this price reflected the demand shown by investors during the company's roadshow to Hong Kong, Singapore, Edinburgh and London.

Siam Makro, a joint venture between the SHV group of the Netherlands and the local CP group, dominates discount shopping in Thailand. Funds raised through the flotation will be used for further expansion.

Fisher and Paykel slips to NZ$27m

Fisher and Paykel, the Australasian white-goods manufacturer, yesterday reported a 2.9 per cent decline in operating profit to NZ$26.9m (US$15.8m), but the chairman, Mr Colin Maiden, said the outlook was strong, writes Terry Hall in Wellington.

Mr Maiden said sales of white goods were buoyant – up 31 per cent to NZ$172m in Australia and 8 per cent to NZ$173.6m in New Zealand – but earnings from other products were down.

The company declared an unchanged final dividend of 8 cents, making a total of 16 cents a share.

Australian airline close to stalling

Australia Air, the only potential new Australian international airline to emerge since the country the start of a competitive, deregulated aviation market looks set to abandon its efforts to take to the skies, writes Nikki Tait.

The fledgling company has admitted that it has little hope of raising the necessary start-up capital via a stock market flotation. Since a portion of its equity funding must come from within Australia, the only remaining hope is that a domestic investor steps forward. Given that Australia Air has been searching for capital for months, this seems unlikely.

Australia Air was awarded rights to fly between Australia and China in March last year.

Bridge urges shareholders to reject bid

By Nikki Tait

Bridge Oil, the Australian oil and gas company which is the subject of a A$295m (US$226.9m) unsolicited bid from Texas-based Parker & Parsley, said yesterday that independent valuations had suggested that Bridge shares were worth between A$0.95 and A$1.13.

It noted that this was substantially higher than the current 70 cents-a-share cash offer from the US oil independent, and urged shareholders to reject the bid.

"The offer is a blatantly opportunistic attempt to get you to sell your shares at a price well below their true value," commented Bridge directors.

Short-covering lifts prices after volatile session

By Conner Middelmann in London and Frank McGurty in New York

The heavy selling that has battered European government bond markets in recent days abated yesterday, allowing several markets to edge higher.

After a volatile session, prices were lifted in the afternoon by short-covering in the futures markets as traders squared positions ahead of today's US employment data.

■ The UK gilt market, which had dramatically underperformed the rest of Europe in the last few days, outperformed its neighbours in a sharp rebound, especially among longer-dated maturities. Supported at the open by firmer US Treasuries, longer-dated gilts were further boosted by investors shifting funds from the short end of the yield curve to the long end.

However, many saw the gains as largely technical after the recent sharp declines. "There hasn't been a huge amount of cash buying – the market outperformed today because it massively underperformed in the last few days," said Mr Ian Shepherdson, of Midland Global Markets.

Moreover, many traders were squaring their positions ahead of the US data, causing a short-squeeze in the gilt future.

Despite the market's strong performance, few felt it heralded the end of the sell-off.

The long gilt futures contract jumped by more than two points to 101 29/32, while the 8¾ per cent gilt due 2017 rose by more than three points to around 103¾, its yield falling by 36 basis points on the day to 8.41 per cent.

The sharp recovery caused the 10-year benchmark's yield premium over its German counterpart to narrow by some 30 basis points to 160 basis points.

■ French bonds ended lower despite the Bank of France's 10 basis point cut in its intervention rate to 5.30 per cent.

The auction of FFr19.9bn of debt, including FFr16.5bn of the new benchmark 6¾ per cent bonds due October 2004, went relatively well, with a bid-to-cover ratio of 2.1 on the 10-year bond and a 3.1 bid-to-cover ratio on the 6 per cent bonds due October 2025.

GOVERNMENT BONDS

However, according to one Paris trader "it was a purely professionally driven auction". He added that the lack of retail demand for the paper put heavy pressure on prices after the auction announcement.

The June notional bond contract on Matif fell by 0.68 points to 115.88, although it recovered to around 116.30 in after-hours trading on Globex.

With most parts of Germany closed for Corpus Christi holiday, the bund market was somewhat calmer, although the bund futures contract on Liffe remained volatile. By late trading it had risen 0.30 points to 92.52.

■ Italian bonds also staged a cautious recovery, mainly on short-covering in the futures market. The June BTP future rose by 0.39 points to 107.43.

In Spain, the Treasury at its latest auction allotted around Pta90bn in three and five-year paper but accepted no bids for 10 and 15-year bonds.

This put a damper on market sentiment, and the June bond future fell by 0.15 points to 93.60.

■ US Treasury bond prices improved yesterday morning as favourable economic news prompted traders to follow through on the previous session's late rally.

By mid-day, the benchmark 30-year government bond was 7/16 higher at 86 23/32, with the yield slipping to 7.347 per cent. At the short end, the two-year note was up 1/16 at 99¾, to yield 5.925 per cent.

Although the fundamental factors pushing European bonds lower had no direct influence on US Treasuries, traders are beginning to see the trend overseas as positive for the market.

The retreat in Europe could bring an influx of funds into US government securities, according to this view, especially if today's crucial May employment data proves favourable.

That prospect appeared to have played some part in Wednesday's afternoon rebound. The improvement came even though the morning's economic news contained a red flag on inflation.

Yesterday, the news was more positive for bonds. The Commerce Department said new orders for factory goods had dipped by 0.1 per cent in April. Economists had forecast a slight gain.

The decline suggests that the Federal Reserve's moves to tighter money this year are having the desired effect of slowing the economy and easing any incipient inflationary pressures.

The April index of leading indicators told much the same story. It held steady after a gain of 0.7 per cent the previous month.

The data, combined with stable commodity prices, brought a constructive mood to the market.

Still, there was an air of restraint, with today's employment data looming. Analysts are expecting an increase of 275,000 to 300,000 in non-farm payrolls and bonds are likely give back all of the week's price gains and more if the figure exceeds expectations.

ISMA moves on settlement period

By Tracy Corrigan in New Orleans

The International Securities Market Association (ISMA) is to move to a three-day settlement period for all international securities trades with effect from June 1 1995.

The change, announced at ISMA's annual meeting, coincides with a reduction to three-day settlement in the US corporate bond market.

Currently, the standard settlement period for international bonds is seven calendar days. The reduction to three business days, rather than two, was favoured due to time zone, funding and foreign exchange difficulties.

"It became apparent early on in our meetings that [two-day settlement] would not be a realistic option for all ISMA members, due to the passing of information such as settlement instructions in different time zones," said Mr John Dowsett, chairman of the settlement working committee.

For three-day settlement, a business day is defined as "a day when both the major international clearing systems (Euroclear and Cedel) and the relevant cash markets of the underlying cash transaction are open." Allowance will also be made for public holidays falling between trade and settlement dates.

There are three main reasons for the change, according to Mr Dowsett: it will reduce systemic risk (the potential knock-on effect created by the failure of one institution to meet its obligations); market risk (the effect of price swings between trading and settlement dates); and counterparty risk (the risk of the financial failure of one party).

The shorter settlement period will also apply to domestic securities traded under ISMA rules, subject to local rules.

The working committee's decision was not unanimous. Mr Alain Servais, of Dewaay Servais, a Belgian broking firm, registered reservations on behalf of members from his region. A shortening of the settlement period presents special difficulties for Belgian members as many Belgian retail investors hold their bonds in physical form.

Rare two-year offering from the Province of Manitoba

By Antonia Sharpe

New issuance in the eurobond market was muted yesterday due to the continued volatility in financial markets.

Choppy conditions this week have forced Salomon Brothers to delay the launch of a $250m five-year issue for Japanese Development Bank because a fall in Japanese government bond prices played havoc with a currency swap linked to it.

However, syndicate managers believe issuance will pick up in the next few weeks. There are rumours that the Province of Ontario is close to coming to the market now that the uncertainty over its rating has been dispelled.

Mr John Madden, Ontario's assistant deputy minister of finance, confirmed yesterday that he was looking closely at the euroyen sector but he declined to comment further.

INTERNATIONAL BONDS

Among yesterday's deals, continued demand from retail investors in continental Europe for Canadian dollar paper prompted a rare C$150m two-year offering from the Province of Manitoba, which last tapped the euro-Canadian dollar sector six years ago.

Redemptions of Canadian dollar eurobonds are estimated at C$1.9bn this month, C$500m in July and C$1.9bn in August, and holders are keen to roll over their positions rather than realise the currency losses they have suffered.

Manitoba's bonds were priced to yield 20 basis points over the 7¾ per cent Canadian Treasury due 1996, which syndicate managers said was too tight, even taking the borrower's rarity value into account.

When the bonds were freed to trade, the spread widened out as far as 34 basis points over Treasuries, according to some dealers, before coming back in to around 28 basis points.

However, lead manager Wood Gundy said the spread had widened only to around 26 basis points, which partly reflected the stronger underlying market.

By contrast, the pricing on the C$100m five-year offering from GE Capital Canada, at 18 basis points over Canadian Treasuries, was thought fair.

When the bonds were freed to trade, the spread widened only marginally to 20 basis points while the price rose to 99.70 from a fixed re-offer level of 99.55. The proceeds are thought to have been swapped into floating-rate Canadian dollars.

Elsewhere, Japan's Sapporo Breweries issued the first eurodollar warrant bond since March.

Yamaichi, the lead manager, said that demand for the $200m four-year offering came from across the board

It added that investors that did not want the equity exposure in the issue had swapped the bonds for floating-rate dollars, achieving a yield of Libor plus 20 basis points in the process.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Sapporo Breweries♦(b)	200	2.875	100	Jun.1998	2.25	-	Yamaichi Intl
Aokham§(a)	135	3.50	100	Jun.2004	-	-	Robert Fleming & Co.
Krung Thai Bank‡(c)	100	(c)	100	Jul.1999	-	-	Chemical Secs. Asia
CANADIAN DOLLARS							
Province of Manitoba	150	8.00	99.675R	Jul.1996	0.175R	+20 (7¾%-96)	Wood Gundy
Gen.Elec.Capital Canada	100	8.625	99.55R	Dec.1999	0.275R	+18 (7¾%-99	Wood Gundy
AUSTRALIAN DOLLARS							
Gen.Elec.Capital Australia	75	7.75	100.885	Jul.1997	1.50	-	BZW

Final terms and non-callable unless stated. The yield spread (over relevant government bond)at launch is supplied by the lead manager. §Convertible. ♦With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Conversion premium 15.8% over the close and 3% over the 5 day average. Put 13/6/99 at 125.69 to yield 5 yr. U.S.Treasury plus 100bp. Three year hard non call then at 104 declining 1% per annum to par subject to 140% hurdle for 30 days. Forex 2.56m. b) Indicated premium 2.5%. Fixing 9/6/94. c) Coupon pays 6 month Libor + 0.375%

Hoare Govett returns to gilt-edged market making

By Antonia Sharpe

Hoare Govett, the UK stockbroker which now belongs to ABN Amro, the Dutch Bank, has received approval from the Bank of England to become a gilt-edged market-maker (Gemm). It will start operations on June 6.

Hoare Govett was a Gemm at the time of "Big Bang" in the City of London, but withdrew from the gilts market in 1988 as part of cost-cutting measures by its then owner, Security Pacific of the US.

Several other foreign houses also stopped dealing in gilts in the late 1980s in the face of tough competition in an overcrowded market.

However, an improvement in conditions in the market in recent years has prompted some to return.

There are 20 other Gemms, the most recent entrants being Merrill Lynch of the US, which pulled out in the late 1980s after incurring heavy losses, and Yamaichi of Japan.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	101.0400	+0.270	8.84	9.11	8.78
Belgium		7.250	04/04	93.4000	-0.200	8.25	7.72	7.50
Canada *		6.500	06/04	85.6500	+1.000	8.88	8.49	8.56
Denmark		7.000	12/04	90.3000	-0.150	8.42	7.70	7.45
France	BTAN	8.000	05/98	104.1250	-0.250	6.77	6.38	6.32
	OAT	5.500	04/04	86.4500	-0.030	7.49	7.07	7.11
Germany		6.750	05/04	-	-	-	6.87	6.60
Italy		8.500	01/04	91.0000	+0.500	9.98†	9.48	9.13
Japan	No 119	4.800	06/99	106.2190	-0.330	3.38	3.06	3.37
	No 157	4.500	06/03	102.9100	+0.740	4.08	3.73	3.94
Netherlands		5.750	01/04	89.7200	-0.400	7.27	6.97	6.79
Spain		10.500	10/03	102.5500	-0.150	10.05	9.65	9.67
UK Gilts		6.000	08/99	90-24	+28/32	8.23	7.83	7.85
		6.750	11/04	88-05	+64/32	8.47	8.26	8.25
		9.000	10/08	103-22	+60/32	8.55	8.37	8.34
US Treasury *		5.875	02/04	91-19	+27/32	7.09	7.10	7.32
		6.250	08/23	86-26	+44/32	7.35	7.36	7.53
ECU (French Govt)		6.000	04/04	86.8300	-0.110	7.97	7.58	7.57

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	3.95	Two year	5.98
Prime rate	7¼	Two month	4.04	Three year	6.31
Broker loan rate	5½	Three month	4.26	Five year	6.72
Fed.funds	4¼	Six month	4.81	10-year	7.09
Fed.funds at intervention	-	One year	5.32	30-year	7.37

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	117.00	115.88	-0.68	117.06	115.56	333,692	97,188
Sep	116.02	114.92	-0.68	116.06	114.60	33,394	44,735
Dec	115.12	114.02	-0.68	115.16	114.00	290	8,604

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
116	1.00	1.86	-	1.97	2.65	-
117	0.60	1.22	1.25	2.82	3.21	4.10
118	0.36	0.86	0.97	3.37	3.85	-
119	0.20	0.58	-	4.21	4.55	-
120	0.10	0.40	0.48	-	5.33	-

Est. vol. total, Calls 64,342 Puts 92,518. Previous day's open int., Calls 224,838 Puts 219,988.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.43	92.42	+0.20	92.73	91.70	139564	91630
Sep	91.81	91.64	+0.14	92.00	90.90	83184	82067
Dec	91.35	91.26	+0.16	91.35	90.92	26	421

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9150	0.94	1.33	1.68	1.83	0.80	1.19	1.44	2.07
9200	0.69	1.08	1.32	1.84	1.05	1.44	1.68	2.38
9250	0.49	0.85	1.09	1.42	1.35	1.71	1.95	2.65

Est. vol. total, Calls 8287 Puts 18540. Previous day's open int., Calls 130659 Puts 157829

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	98.80	-0.03	-	-	0	889
Sep	-	97.84	-0.03	-	-	0	50

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	107.75	107.48	+0.32	107.85	106.65	58088	45155
Sep	106.40	106.00	+0.18	106.40	105.30	30037	38184

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10600	2.40	3.38	2.40	3.38
10650	2.15	3.15	2.65	3.65
10700	1.93	2.92	2.93	3.92

Est. vol. total, Calls 2332 Puts 460. Previous day's open int., Calls 14958 Puts 13819

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.13	93.59	-0.15	94.20	92.67	87,267	109,692
Sep	93.42	92.59	-0.90	93.55	92.11	10,101	22,300

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100-11	101-29	+2-05	102-02	100-09	39699	52550
Sep	99-06	100-20	+2-00	100-28	99-00	113529	86201
Dec	98-10	99-20	+2-00	98-10	98-10	70	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
100	2-54	3-39	2-14	3-63
101	2-21	3-05	2-45	4-29
102	1-58	2-36	3-18	4-62

Est. vol. total, Calls 4184 Puts 3182. Previous day's open int., Calls 31018 Puts 20226

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	84.02	83.40	-0.42	84.26	83.12	2,778	9,028
Sep	83.78	82.92	-0.46	83.78	83.16	968	634

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-07	104-13	+0-04	104-18	104-07	60,762	197,204
Sep	103-09	103-15	+0-05	103-20	103-08	487,846	204,614
Dec	102-19	102-25	+0-04	102-29	102-19	1,268	35,168

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	111.93	-	-	111.93	111.79	693	0
Sep	110.90	-	-	111.20	110.75	3641	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jun 2	Day's change %	Wed Jun 1	Accrued interest	xd adj. ytd		Low coupon yield Jun 2	Jun 1	Yr. ago	Medium coupon yield Jun 2	Jun 1	Yr. ago	High coupon yield Jun 2	Jun 1	Yr. ago
1 Up to 5 years (24)	121.86	+0.29	121.32	2.27	4.34	5 yrs	8.34	8.49	7.11	8.51	8.70	7.34	8.65	8.81	7.58
2 5-15 years (22)	140.00	+1.62	137.76	2.37	5.32	15 yrs	8.49	8.79	8.05	8.63	8.92	8.43	8.90	9.24	8.70
3 Over 15 years (9)	157.39	+2.88	152.98	3.28	4.06	20 yrs	8.46	8.75	8.27	8.63	8.92	8.53	8.73	9.05	8.75
4 Irredeemables (6)	174.85	+2.88	169.95	1.06	6.38	Irred.†	8.60	8.86	8.59						
5 All stocks (61)	137.94	+1.41	136.02	2.50	4.82										

Index-linked							Inflation 5% Jun 2	Jun 1	Yr. ago	Inflation 10% Jun 2	Jun 1	Yr. ago
6 Up to 5 years (2)	184.94	+0.26	184.46	0.84	2.53	Up to 5 yrs	3.84	3.94	2.91	2.86	2.95	2.17
7 Over 5 years (11)	172.22	+0.85	170.77	1.27	1.69	Over 5 yrs	3.87	3.93	3.56	3.68	3.74	3.38
8 All stocks (13)	172.86	+0.78	171.32	1.22	1.77							

Debentures and Loans						5 year yield Jun 2	Jun 1	Yr. ago	15 year yield Jun 2	Jun 1	Yr. ago	25 year yield Jun 2	Jun 1	Yr. ago
9 Debs & Loans (76)	126.44	+1.50	124.57	2.23	4.92	9.75	9.95	8.83	9.71	9.90	9.40	9.68	9.84	9.55

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 2	June 1	May 31	May 27	May 26	Yr ago	High*	Low*
Govt. Secs. (UK)	92.09	91.04	91.73	93.06	93.69	95.11	107.04	91.04
Fixed interest	109.12	109.33	110.90	111.15	111.78	111.55	133.87	109.12

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Jun 1	May 31	May 27	May 26	May 25
Gilt Edged bargains	100.4	85.9	83.0	132.0	127.1
5-day average	105.7	104.7	103.5	108.5	102.3

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Treas. 10pc Ln. 1994‡‡		10.00	-	100xd	—	102⅛	100
Exch 12¼pc 1994		12.39	4.99	101[illegible]	[illegible]	104[illegible]	101[illegible]
Treas 9pc 1994‡‡		8.85	5.72	101[illegible]	[illegible]	103[illegible]	101[illegible]
12pc 1995		11.51	5.30	104¼	—	107[illegible]	104¼
Exch 3pc Gas 90-95		3.06	5.06	98	—	98¼	97¾
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
10pc 2003		9.31	8.78	107[illegible]	+1[illegible]	127⅛	105[illegible]
Treas 11½pc 2001-4		10.23	9.00	112[illegible]	+1[illegible]	129[illegible]	111[illegible]
Funding 3½pc '99-4		4.83	7.62	72½	+1[illegible]	86[illegible]	71[illegible]
Conversion 9½pc 2004		9.01	8.67	105[illegible]	+2[illegible]	125[illegible]	103[illegible]
Treas 6¾pc 2004‡‡		7.57	8.48	89	+2	105[illegible]	88
Conv 9½pc 2005		8.99	8.66	105[illegible]	+2	125[illegible]	103[illegible]
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	1994 High	1994 Low
2pc '96	(67.9)	2.79	3.89	190¼	+¼	205[illegible]	197[illegible]
4⅝pc '98‡‡	(135.6)	2.99	3.73	106[illegible]	+[illegible]	113[illegible]	109[illegible]
2½pc '01	(78.3)	3.36	3.76	164[illegible]	+[illegible]	178[illegible]	164[illegible]
2½pc '03	(78.8)	3.44	3.76	161¼	+[illegible]	173[illegible]	160[illegible]
4⅜pc '04‡‡	(135.6)	3.51	3.82	108[illegible]	+[illegible]	118[illegible]	107[illegible]
[illegible]							

Other Fixed Interest [illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 2

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
United Kingdom 7¼ 97	5500	102¼	102½	-⅛	6.31
Abbey Natl Treasury 8 03 £	1000	90¾	91⅛	+⅛	9.59
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: [illegible] CONVERTIBLE BONDS: [illegible]

Further moves made into retail and industrial property

MEPC advances to £47.6m

By Vanessa Houlder, Property Correspondent

MEPC, the UK's second largest property company, announced pre-tax profits of £47.6m for the six months to end-March, compared with £43.8m in the first half last year.

Lord Blakenham, chairman, described the half year as "very active", as the group pursued its strategy of moving further into retail and industrial property and of building its overseas base.

MEPC has bought £363m of property since its last year end, including shopping centres in Los Angeles and Atlanta in the US and in Derby, a portfolio of office and industrial properties in the West Midlands and an office building in Brisbane, Australia.

The shopping centre in Northridge, California, which was severely damaged by earthquake, is likely to be open, following refurbishment, in March 1995.

The pre-tax profits, generated from net income ahead from £108.6m to £112.6m, were boosted by £2.3m of property sales, against losses and provisions of £8.7m.

MEPC said that the movement in relevant property indices suggested an increase in value of about 12-14 per cent in the value of its UK portfolio in the six-month period.

Although there has been no revaluation of the property portfolio, net asset value per share has increased by 4 per cent from 416p to 431p. That reflects an element of retained profit, currency movements plus the premium on the share issue for the acquisition of American Property Trust which took place in December 1993.

Mr James Tuckey, chief executive, said that signs of rental growth were "patchy". MEPC does not expect an early resumption of its development programme, although a few small developments were underway within its existing portfolio.

Net interest costs rose from £52.5m to £62.8m.

Earnings per share increased from 7.8p to 8.3p and the interim dividend is held at 5.25p.

The comparisons with last year's reported figures are affected by the adoption of FRS 3 and 4.

● **COMMENT**

After slightly disappointing interim profits, MEPC looks set for a stronger performance in the second half as additional income from new acquisitions kicks in and rent-free periods fade out. Pre-tax profits for the full year of about £105m seem possible, but the second half is likely to be weaker than the first in terms of asset growth, since the market has lost some of its momentum in the last few months. However, with gearing at just 50 per cent, net assets per share are unlikely to exceed 520p at the end of September. That puts the shares, which rose by 5p to close at 455p yesterday, on a discount of 12.5 per cent. Given a yield of 5.5 per cent, assuming the dividend is not cut, the shares offer reasonable value.

Control Techniques edges ahead

By Paul Taylor

Shares in Control Techniques fell by more than 9 per cent yesterday after the Powys-based electronic drives group reported a modest 3 per cent increase in interim profits on lower sales and blamed "a slow start in a poor first quarter".

The shares closed down 45p at 442p after the group reported pre-tax profits of £3.84m after US reorganisation costs of £600,000 in the six months to March 31, against profits of £3.72m after reorganisation costs of £200,000 in the comparable period.

Turnover fell from £54.2m to £52.1m, reflecting the effects of the reorganisation in the US which resulted in the postponement of £1.4m of sales to the second half.

Despite the setback, Mr Trevor Wheatley, chairman, said the US operations, which were acquired three years ago and have undergone substantial rationalisation, were now in profit.

"The second quarter moved ahead very strongly and order books are some 17 per cent ahead of the same time last year and showing signs of improving even further," he said. "Orders in April were an all-time record and over 40 per cent up on the same month last year."

Earnings in the first half increased by 10 per cent to 6.5p (5.9p), and the interim dividend is raised to 2.6p (2.35p) reflecting confidence about the outcome for the year as a whole and the fact that the reorganisation process is now substantially complete.

Net interest costs fell to £524,000 (£807,000) although net borrowings increased to £13.8m at the end of March, up from £8.63m at the end of September, partly reflecting growth in stocks.

The group opened four new CT Drive Centres in Denmark, the Czech Republic, India and Norway during the first half bringing the total to 27 – more than half way to its target of 50.

● **COMMENT**

A nervous market punished Control Techniques for surprising it with unexpected re-organisation costs and disappointing figures yesterday. Nevertheless, the fundamentals remain strong, and provided orders are converted into sales, the outlook for the second half is good. Eliminating losses in the US and cutting costs in Germany will help margins. Pre-tax profits should reach at least £12m this year, producing earnings of 20p. Even after yesterday's fall the shares are still trading on a prospective multiple of 22.1, which reflects continued speculation about the intentions of Emerson Electric, the US group which holds a 29.37 per cent stake.

Sunleigh buys Maclaren for £19.2m

By David Wighton

Lazy babies, who enjoy a bit of sailing and golf, will be able to buy all their vehicles from Sunleigh after its acquisition of Maclaren Group.

The maker of Powakaddy motorised golf trolleys and Laser sailing dingies yesterday announced plans to pay up to £19.2m for Maclaren, the manufacturer of baby buggies and pushchairs.

Founded 30 years ago by the late Mr Owen Finlay Maclaren, an aeronautical engineer, the group also makes golf trolley wheels. But Mr Alan Hancock, Sunleigh's chief executive, insisted there was rather more to the deal than that.

"The enlarged group will cover three distinct consumer durable sectors but the fundamental characteristics, cultures and skills of the business are very similar."

To fund the acquisition Sunleigh is increasing its share capital more than fourfold with a conditional placing of 320.1m new shares at 6p.

Shareholders can apply for 96.5m of these on a 1-for-1 basis at the same price.

Sunleigh is buying the business from the management team who acquired it in 1990 from BET, which in turn bought it as part of its Hestair acquisition. Hestair bought it from the Maclaren family for £12.9m in 1988.

It made an operating profit of £2.3m on turnover of £26m in the year to August.

Trading in Sunleigh's shares, suspended at 8p on the USM last week, should resume on the Official List on June 30.

Lonrho spotlights its African interests

By Peggy Hollinger

Lonrho yesterday signalled the next stage in its plan to realise the value of its African assets by saying it might float its general trading activities on the Continent.

The move follows the successful market debut earlier this year of Ashanti Goldfields, which valued Lonrho's 43 per cent stake at $720m – five times its book value of £90m.

It announced yesterday that it was considering selling a minority stake in its African businesses excluding mining or sugar. This though would leave a question mark over the future of these extensive and more profitable operations.

Mr Tiny Rowland and Mr Dieter Bock, joint chief executives, said in a statement yesterday that Lonrho was setting up a board committee to look at ways of strengthening the group's African trading activities. The shares closed up 3p at 138½p.

Lonrho has a diverse range of trading activities in Africa including motor and equipment distribution, textile manufacturing, electrical goods supply and aircraft services management. The combined businesses are estimated to have a total turnover of up to £500m and were profitable last year.

If a flotation is decided upon, it is likely that the African company will come to the London market, and possibly another, within a year. It is estimated that Lonrho will be looking to sell a stake of about 30 per cent.

The company said a sale would help it to determine the value of a mixed range of businesses. It would also strengthen the operations by bringing in outside shareholders who might be prepared to invest further in the businesses.

Analysts said the move might be seen as part of a strategy to strip out lower growth businesses Mr Bock has been pursuing since he took charge of the group earlier this year.

Eurotunnel in the grip of a financial vice

By Simon Davies

Eurotunnel's rights shares closed at 43p on their first day of trading yesterday, as the company's shares continued to rise following the resolution last week of its second debt crisis.

However, while the share price suggested renewed confidence on the long-term future, the rights document emphasises the financial vice in which Eurotunnel has found itself.

The document lists the conditions attached to the company's latest £693m tranche of senior debt and the high price it has had to pay for its £50m top-up loan. The signing up of some £700m of debt was a prerequisite to the launch of last week's £858m rights issue, and about two thirds of the original 220 banks failed to participate.

The loans are due to fund the company through to projected profitability in 1998, and repayment is due between 2000 and 2006. Eurotunnel has predicted a first dividend in 2003, but according to the document, this will be contingent upon it achieving its refinancing projections between 2001 and 2008.

The banks have attached tight conditions on the loans, which are based upon their own conservative projections, or banking cases, rather than Eurotunnel's. In addition, the company needs to demonstrate that net cash flow up to February 2006, plus the balance of certain Eurotunnel accounts, is one and a half times the amount of senior debt payable up to that date. If the figure falls below 1.2 times for more than 90 days, the company will be in default.

Eurotunnel is confident that it has a comfortable £470m financial cushion, based on the agreed refinancing. This includes the £50m top-up loan from Morgan Grenfell and Warburg, which will cost 4 per cent over lenders' cost of funds, in addition to sizeable arrangement fees. Under existing agreements, it can also borrow a further £325m (at current exchange rates). If the company actually needs the money, however, it is likely to be in breach of those agreements.

Restructuring costs behind 49% decline at Union Intl

By Simon Davies

Union International, the trading arm of the Vestey group, yesterday announced a 49 per cent fall to £6.5m in pre-tax profits for 1993.

However, that reflected the group's substantial restructuring – its core business showed growth.

Mr Terry Robinson, chief executive, has almost completed the group's refocusing on food processing and distribution, while reducing its enormous debt through the sale of non-core businesses.

"The company has moved from intensive care to recuperation", he said. Mr Robinson's contract runs out at the end of the year, and is unlikely to be renewed.

During 1993, total bank debt fell by £77.4m to £124.6m, helped by the sale of £96m of assets – including UK properties, its Australian fisheries business and Brazilian trading operations.

Turnover fell 25 per cent to £891.5m as a result of disposals, but continuing operations showed an 8.3 per cent increase in sales and contributed £24.7m (£21m) in profit

Interest charges fell from £32.6m to £21.6m due to the debt reduction, but profits were held back by an £8m exceptional loss, resulting from asset disposals.

In the UK, the food distribution businesses performed strongly. Weddel Swift Depots, the largest national meat wholesaler, achieved a 70 per cent increase in operating profit to £1.1m. However, Union's retail chains of butchers in the UK – which include Dewhurst, Alex Munro and Baxters – showed a decline in profits during the year.

The group's Australian businesses, including meat packing, retail and wholesaling, and also a profitable property business, showed strong growth. There is speculation that these will be floated off but Mr Robinson refused to comment.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ABI Leisure	int	1.35	July 1	1.25	-	3.76
Bertam	fin	2.5	July 15	2.5	2.5	5‡
Boots	fin	10.1	Aug 17	8.8	15	13.4
Carr's Milling	int	1.2	July 1	1	-	4.3
Control Tech	int	2.6†	Aug 5	2.35	-	7.5
Faber Prest	int	5.5	June 27	5	-	14
Hambro Insurance	fin	3.7	Aug 19	-	5.55	-
Kalamazoo	fin	2.45†	Sept 8	1.85	3.3	2.1
MEPC	int	5.25†	July 19	5.25	-	20
Mid Kent	fin	6.5	July 20	5.75	11.5	10.5
Powell Duffryn	fin	17	Aug 8	18	23.6	22.6
RIT Capital	fin	1.51†	July 5	1.15	1.51	1.15
Rolfe & Nolan	fin	5.195	July 25	4.65	8	7.2
Rowe Evans	fin	2	Sept 1	2	2	2
Rowlinson	fin	1.56	-	1.26	1.8	1.5
Siebe	fin	7.34†	Oct 3	6.672	11	9.999
Stakis	int	0.65†	Sept 1	0.45	-	1
VSEL	fin	23.5	Aug 8	20	34	29
Wyndeham Press	fin	1.5†	Aug 16	0.75	2.25	1.25
Yorkshire Water	fin	15.2	Oct 3	14.2	22.8	21.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡Includes special of 2.5p.

COMPANY NEWS: UK

VSEL rises to £61m but warns on outlook

By Bernard Gray

VSEL, the Barrow-based submarine builder, reported a 10 per cent increase in pre-tax profits from £55.6m to £61m for the year to March 31.

The company is enjoying peak profitability from the Trident submarine construction contract.

The increase, on sales of £466m (£442m), was achieved despite a fall in interest income on the company's cash pile to £10.1m (£13.9m) due to lower rates. Operating profit increased by 22 per cent from £41.7m to £50.9m.

However, VSEL's shares lost 50p to 928p after it warned that profits for the current financial year were unlikely to increase significantly. Analysts had been expecting about £70m this year with the construction of the fourth and final Trident submarine contributing to profits for the first time.

Construction of Trident submarines is starting to wind down and the Ministry of Defence is unlikely to award a contract to build the second batch of five Trafalgar class hunter-killer submarines until early 1996.

The company insists the remaining £24m of rationalisation provisions, along with an additional £4.5m taken last year, will be enough to meet redundancy costs. It is seeking work on surface ships to meet any lull.

VSEL is vying with GEC for the important prime contractor status on the Trafalgar order. It is also considering bidding for the Devonport dockyard, which is to be privatised by 1996. Devonport has already secured all the refitting work on the Royal Navy's nuclear submarine fleet which was manufactured by VSEL.

The final dividend is increased to 23.5p for a total of 34p (29p) payable on earnings per share of 103.7p (93.4p).

● COMMENT

The destination of VSEL's cash mountain is the central question preoccupying investors. The company says it needs to retain the money in its balance sheet if it is to win its spurs with the Ministry of Defence as a risk-taking prime contractor. Winning prime status on the Trafalgar order would certainly help profitability, but that will defer until 1996 a decision on use of its cash. By then it will have accumulated about £330m, or 900p a share, which could be returned to shareholders. Equally, a predator may be tempted by the cash before the company acts. Other uses for the money, including merger with a cash-hungry company, or an acquisition spree, look less likely. Still, against that lure, profitability has peaked and the Trafalgar bid is not yet in the bag; other work on surface ships is even less assured. Piling up cash as a virility symbol for the MoD also carries heavy opportunity costs, particularly with interest rates low. VSEL's low rating has always reflected its dependence on a single customer and inflexibility of its product. The strong cash position underpins the shares, but investors looking for the upside will have to hope that management proves as adept at finding new business as it has been at reshaping the company over the past three years.

Yorks Water plans cutbacks

By Peggy Hollinger

Yorkshire Water is set to cut 10 per cent of its workforce in a bid to beat the efficiency targets established in what is expected to be an increasingly restrictive price regime.

The company said it would cut its 4,000 strong utility workforce by 400 this year. About half of the reduction arises from transferring employees to contractors now providing services which Yorkshire previously carried out itself.

It has been estimated the reduction could result in cost savings of up to 15 per cent on an on-going basis.

Yorkshire also announced that a substantial reduction in capital expenditure – from £303m to £321m – meant it would meet the spending targets set at privatisation. Previously analysts had feared Yorkshire would spend much more than forecast, leaving it with a lower return than expected on funds invested.

Yorkshire's comments came as it announced pre-tax profits up from £139m to £144m for the year ended March 31. Turnover was ahead 10 per cent at £531m.

The increase was achieved after lower than expected charges of £10m for rationalising the core utility division and against a £4.4m exceptional gain in 1993.

The regulated businesses continued to suffer from a decline in demand from industrial customers. The fall was offset by a main charge increase of 7 per cent, leaving operating profits up 5 per cent at £153m.

The non-regulated businesses, principally environmental and property, more than doubled profits at the operating level from £2.6m to £7.2m, on sales 89 per cent higher at £51.9m. The property division contributed £3.8m.

A final dividend of 15.2p makes 22.8p (21.25p) for the year. Earnings were up 4.6 per cent at 68p (65p), although the increase rises to 8.3 per cent when a £4.4m exceptional gain in 1993 is excluded.

● COMMENT

Yorkshire is proving its determination to get to grips with costs and surprised many by its tough line on capital expenditure. With the benefits yet to feed through on technology improvements it seems one of the better bets to beat whatever efficiency targets are set by the regulator in the current price review. Nevertheless, the sector is likely to be dogged by uncertainty until the end of July when the pricing regime becomes public. Forecasts are for about £155m, with the usual cautious approach to the dividend leaving expectations of a 7.8 per cent rise to 24.6p.

Hambros Insurance falls 15%

By Richard Lapper

Hambros Insurance Services yesterday blamed a poor performance by its loss adjusting business for a 15 per cent decline in pre-tax profits to £8.3m for the year to March 31.

The decline in profits was foreshadowed at the interim stage.

The results covered the group's first complete year of trading and compared with £9.8m on a pro forma basis.

The group said that loss adjusting had "suffered from the exceptionally low level of claims experienced by the insurance industry". Turnover for the division declined to £38.6m (£41.6m), but profits fell by more than 50 per cent to £2m (£5m).

Hambros said it was reviewing the structure and cost base of its loss adjusting operation in order to identify areas where its services could be improved and broadened.

By contrast, Hambros' other businesses all performed well. Hambro Legal Protection – which sells legal expenses insurance and telephone helplines services – increased profits by 34 per cent to £4.5m, with turnover rising to £12.9m (£9.9m).

Beale Dobie, which trades second hand endowment policies, increased profits by 17 per cent to £1.4m with turnover ahead to £20.4m (£14.9m).

Earnings fell to 7.8p (11.2p). A proposed final dividend of 3.7p makes a 5.55p total.

ANS launches £10m rights

By David Wighton

Associated Nursing Services, the USM-traded nursing home operator, is asking shareholders for some £10m to fund the development of more homes.

The 1-for-3 rights issue at 255p was accompanied by estimated pre-tax profits of £2.3m for the year to March 31. This is about £500,000 less than expected due to a change in accounting treatment following the introduction of the FRS 5 standard on off-balance sheet financing.

The company, which changed its accounting policies in 1992 following a judgment by the Financial Reporting Review Panel, has decided to bring the assets and liabilities relating to two homes developed with BES money on to its balance sheet. The £2.4m development profit will now be reflected in the balance sheet as revaluation reserves.

Mr Nick Dhandsa, chief executive, said that because the company had a commitment to buy the homes after five years the transaction would be treated as a financing arrangement under FRS 5.

The change has the effect of increasing gearing and reducing pre-tax profits. The previous year's profit has been restated from £1.82m to £1.58m.

The change also reduces the effective tax rate so estimated earnings fall by only 2p to 17.4p against a restated 14.3p. It plans to pay a final dividend of 1.5p for a 2p total.

Mr Dhandsa said the rights issue, which will cut gearing to about 20 per cent, would enable the company to fund the opening of 700 beds in 1995-96 and 750 beds the year after. Its programme to add another 600 beds in the current year is already fully funded.

Most of the new homes will be developed by joint ventures.

The rights issue has been fully underwritten by Henry Ansbacher. The shares fell 9p to 275p yesterday.

ANS also announced that Mr Robert Upsdell was stepping down as non-executive chairman at the end of October. It is applying for its shares to be traded on the main market.

Faber Prest £8.3m cash call for acquisition

Faber Prest yesterday announced an £8.3m rights issue to be used partly to fund the acquisition of the remaining 50 per cent of Appleby Slag Reduction – another step in the expansion of its industrial services division.

The purchase price is £5.35m, plus a £1m loan to enable Appleby to repay a loan from Clugston Group, the vendor.

Faber, which is also involved in distribution and car retailing, is issuing 2.1m ordinary shares at 425p on a 1-for-4 basis. Of the proceeds, £3.25m will satisfy the cash requirement of the acquisition and £1m will repay the loan. The balance will be placed on deposit.

Appleby provides steel services to British Steel at its Scunthorpe site. In 1993 it made pre-tax profits of £2.1m.

Faber also yesterday reported a 71 per cent rise in pre-tax profits from £1.65m to £2.83m on sales from continuing operations of £35.7m (£30.4m). Net interest payable fell to £133,000 (£237,000).

The interim dividend is increased to 5.5p (5p) on earnings per share more than doubled to 21.76p (10.25p). The shares added 10p to 499p.

Shareholders' approval for the acquisition will be sought at an extraordinary meeting on June 20.

Stanhope £40m sale

Stanhope, the property company, has sold a 110,000 sq ft office building at Stockley Park in west London to a buyer from east Asia for just under £40m.

The building, which is let to British Petroleum, was sold on a yield of about 7 per cent.

Enterprise North Sea field reaches peak output

By Robert Corzine

Enterprise Oil, the UK's largest independent explorer, yesterday announced that its Nelson field in the North Sea had achieved peak production of 160,000 barrels a day only four months after the platform produced its first oil.

Enterprise, which is locked in a hostile bid battle for Lasmo, the second largest company in the exploration sector, has been labouring under financial constraints. The Nelson field is its largest project to date. It is also the first time that it has operated a North Sea platform.

Part of Enterprise's justification for the bid has been that it can use Nelson's strong cash flow to bring forward Lasmo projects that might otherwise be delayed by a lack of financing.

Mr Mark Hope, general manager, said the rapid move to peak production had been achieved in large part by pre-drilling eight wells, which were ready to flow once the platform was operational.

Additional wells were being drilled from the platform.

MONTHLY AVERAGES OF STOCK INDICES

	May	April	March	February
FT-SE Actuaries Indices				
100 Index	3069.2	3130.9	3206.1	3396.4
Mid 250	3705.7	3787.3	3869.0	4043.2
350 Share	1566.8	1591.1	1627.8	1719.5
Non-Financials	1690.44	1708.89	1745.46	1818.96
Financial Group	2164.18	2240.03	2324.02	2608.29
All-Share	1559.27	1582.06	1619.80	1709.09
FT-SE Eurotrack 100	1447.64	1460.22	1437.45	1495.18
FT-SE Eurotrack 200	1452.03	1478.17	1490.53	1553.11
FT-A World Index	172.44	170.23	173.00	174.85
FT Indices				
Government Securities	94.26	96.57	99.29	103.92
Fixed Interest	112.72	116.16	120.30	128.14
Ordinary	2455.02	2485.3	2523.4	2614.4
Gold Mines	1881.95	1865.13	2036.30	2054.76
SEAQ Bargains	25,495	35,919	35,219	37,205

	Highest May close	Lowest May close
FT-SE 100	3137.8 (12th)	2966.4 (27th)
FT-SE Mid 250	3775.8 (2nd)	3572.3 (27th)
FT-SE-A 350	1589.8 (10th)	1505.9 (27th)
FT-SE-A All-Share	1581.23 (10th)	1500.86 (27th)
Ordinary	2500.1 (10th)	2347.1 (27th)

COMPANY NEWS: UK

A McAlpine seeks £25m

By Andrew Taylor, Construction Correspondent

Alfred McAlpine yesterday joined the growing rank of housebuilders to launch rights issues to finance land purchases for expansion.

The construction company is seeking to raise £25m through the issue of 12.6m new shares at 205p on a 2-for-9 basis.

McAlpine made a £894,000 pre-tax profit during the six months to end-April, compared to a £2.48m loss last time.

Turnover increased from £241.3m to £316.6m. Earnings per share were 0.7p (losses of 3.3p). The share price fell 18p to 241p.

The company is changing its year end to December 31 and is expected to announce its interim dividend policy when it publishes figures for the period to end-June.

McAlpine plans to increase housing output to 1,800 homes this year, compared with 1,259 in 1992. It expects to have spent £80m purchasing land by the end of this year, increasing net investment in the housing division by £30m. In the latest period it spent £48.7m on land.

Mr Oliver Whitehead, chief executive, said this had led to a sharp rise in borrowings which, before the rights issue, were expected to average £75m to £80m this year, representing gearing of about 50 per cent.

Proceeds from the rights issue should reduce gearing to a more appropriate level of 30 per cent.

Mr Whitehead said the company's land holdings had increased by 47 per cent to 4,400 plots. Sites had been bought on the basis of an estimated gross margin of 18 per cent.

The housing division, which completed 568 (509) private sector homes, made a pre-tax profit of £3.5m (£300,000 loss). The average selling price of a home increased from £78,000 to £88,900.

The construction division incurred a £1m pre-tax loss (£500,000 profit); aggregates, slate and asphalt made a £800,000 profit (£200,000 loss); the US reported a £500,000 loss (£100,000 profit) with a good performance from minerals offset by a disappointing result from contracting.

● COMMENT

It is not a good time to be launching a rights issue with sentiment running against the stock market and housebuilders and construction companies in particular. Nonetheless, there is sufficient value in the shares at a theoretical ex-rights price of 234p, based on last night's close, to get the issue away – albeit without much enthusiasm. Pre-tax profits of £13m this year followed by £21m next year would put the group on a prospective p/e of 11 on 1995 profits at the ex-rights price. The shares, however, are unlikely to improve in the present climate.

Taking the City road

EuroDollar heads for market. Paul Taylor reports

Over the past five years EuroDollar has quietly overtaken some of its better-known rivals to become the UK's second largest car rental company behind Avis.

Last year it claimed a 10 per cent share of the fragmented £583m UK car hire market, a rise from 7 per cent in 1988.

EuroDollar, the subject of a £118m management buy-out from the TSB Group in August, is coming to market through a placing and public offer expected to value it at more than £100m. A pathfinder for the issue is due to be published today.

EuroDollar's relatively low profile as a rental fleet operator is a clue to its success – growth in the UK has been fuelled by its penetration of the corporate market where it is now the market leader.

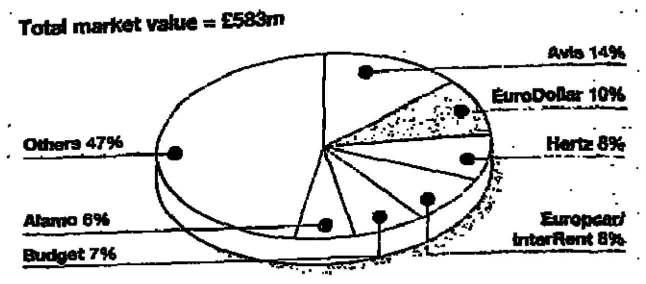
More than three quarters of its £78m turnover in the year to March 31 came from the corporate sector although in order to maximise fleet utilisation, the group also cultivates the retail trade at weekends and during holiday periods.

The main customers among 6,500 corporate accounts include BT, GEC, Rolls-Royce, Rank Xerox and ICL along with fleet operators such as Cowie Interleasing and breakdown services like the RAC.

EuroDollar has invested heavily in information technology, spending an average £4m a year to build a real-time computer tracking and reservation system which allows it to pinpoint cars and review their usage at any time.

The UK car rental market 1993

Total market value = £583m



This enables the group to move cars from site to site as required and manage its fleet of 12,000 cars and 1,000 vans more efficiently than competitors – EuroDollar regularly achieves fleet utilisation rates of 70 per cent or more.

The IT network also links together EuroDollar's 105 branches and has enabled the group to pioneer the use of "inplants" – EuroDollar employees who are attached to large corporate customers and work on-site with them to manage their rental requirements on-line.

The other key benefit of EuroDollar's IT system is that it enables the group's fleet controllers to minimise vehicle holding costs which largely depend on residual values and funding costs.

EuroDollar acquires more than 20,000 cars a year – each car remains in the fleet for about 5 or 6 months. Because each rental effectively represents a "test drive" by a potential car buyer, rental companies can negotiate particularly good terms with manufacturers.

In most cases vehicles are acquired on finance leases or lease purchase agreements funded either by a finance house or through the tied financing division of a car manufacturer. EuroDollar has total credit lines of £111.5m – roughly £40m above its borrowings at the end of March – and operates on the basis of no gearing before vehicle asset finance.

In order to further minimise risks, at least half of the group's fleet is covered by guaranteed residual value programmes and it has managed to keep overall disposal values at between 78 and 80 per cent of list prices.

The management's success in maximising fleet utilisation rates while minimising holding costs is evident in the group's recent performance. Gross profit margins have increased from 57 per cent in 1990 to 72 per cent in the year to March 31 and over the same period operating profits have grown from £6.2m to £17.8m

The management, led by Mr Ian Mosley, chief executive, has recently disposed of loss-making rental operations in France and Italy which are now part of the group's franchised European network.

That move cleared the way for EuroDollar to become the first London quoted car hire group since Avis Europe was acquired by a consortium in late 1989.

NEWS DIGEST

Usborne £8m in red at midway

Shares in Usborne resumed trading yesterday and shed 6p to 13¼p after the grain merchant and pig producer reported pre-tax losses of £8m for the six months to December 31, against profits of £887,000.

Although the grain merchanting side produced trading profits of £947,000 (£1.1m), there were losses of £6m (£96,000 profits) from pig production and merchanting.

The pre-tax result was after a £3.3m write-down in the value of the pig herds and a £2m provision for restructuring the division.

Turnover from continuing operations was £93.7m (£107.6m). Losses per share amounted to 9.94p (0.83p earnings). There is no dividend (0.2p).

Gowrings

Mr John Fowles, chairman of Gowrings, the motor dealer and leisure company, told the annual meeting that trading in the first quarter had been considerably up on last year and the trend was continuing in all divisions.

Bunzl

Bunzl, the distribution and cigarette filters group, has acquired Marstan, a US distributor of paper and plastic disposable items.

The consideration of $11.5m (£7.6m) cash payable on completion is subject to adjustment up to a maximum of $1m, dependent on the level of net assets acquired.

A further profits-related payment of up to $2.55m may become payable subject to the company's performance over a three-year period.

Kembrey

Kembrey, the electrical connectors and accessories manufacturer, swung from losses of £655,000 to profits of £15,000 pre-tax for the year to April 2.

Turnover fell from £22m to £18.4m. A proposed single dividend of 0.155p (same) is being paid from earnings of 0.11p (losses 1.55p).

Ashley Group

The forecast £21m charge related to the disposal of its Spanish subsidiary resulted in a loss before tax of £20.6m at Ashley Group in the year to December 31 1993.

The window blinds and timber group had warned of the charge in March.

Continuing operations in the period produced sales of £40.6m (£48.5m) and operating profit of £3.07m (£3.26m).

Provisions in 1993 totalled £22.1m, mainly due to deferred consideration related to the Spanish sale. In 1992 provisions of £52m were carried, which produced a pre-tax loss of £61m.

There is no dividend payment. Losses per share came to 15.7p (45.11p).

The annual meeting will be asked to approve a change in the company's name to Eclipse Blinds.

Yates Brothers

Yates Brothers Wine Lodges, the independent drinks group which is to seek a listing this year, reported a 21 per cent increase in pre-tax profits from £2.77m to £3.36m for the 12 months to March 27.

The improvement was achieved on turnover up from £35.3m to £43.9m. Earnings per share came out at 11.1p (9.4p) and a second interim dividend of 2.8p is declared, making 3.8p (2.46p) for the year.

The company is proposing a 1-for-2 scrip issue to assist in the marketability of its shares.

Bertam Holdings

A fall from £7.17m to £1.34m in pre-tax profits was announced by Bertam Holdings for the year to December 31.

However, the oil palm and rubber plantations group, which also has property interests in Malaysia, said the two years were not comparable following the sale in late 1992 of 810 hectares to Bertam Properties and the acquisition of three Malaysian estates.

Profits were affected by lower palm oil prices, although they had rallied strongly this year, directors said.

Turnover from continuing operations slipped to £1.52m (£1.61m). Earnings per share emerged at 4.78p (31.54p) and the single final dividend is held at 2.5p (5p including special).

Rolfe & Nolan

Profits of Rolfe & Nolan, the futures and options computer bureau and software specialist, rose from £1.22m to £1.57m pretax for the year to February 28.

The outcome included a deficit from the North American operations amounting to £1.09m. Losses from this source were significantly reduced in the second half and further improvements are expected.

Group turnover expanded from £11.2m to £12.7m, of which £3.05m (£3.27m) came from the US.

Earnings per share fell to 12.9p (17.7p) after a higher tax charge of 61.9 per cent (50.4 per cent) due to US losses not relievable against tax.

A final dividend of 5.195p makes an 8p (7.2p) total. A 1-for-1 scrip is also proposed.

ABI Leisure

Profits of ABI Leisure, the caravan maker, rose from £1.27m to £1.7m pre-tax for the half year ended February 28. The increase was achieved from a 19 per cent rise in turnover to £34.8m, helped by a 55 per cent improvement in exports.

Earnings per share emerged at 4.2p (3.1p); the interim dividend is lifted to 1.35p (1.25p).

Powell Duffryn 55% ahead to £33.4m

By Andrew Bolger

A strong profits performance encouraged Powell Duffryn, the distribution, storage and engineering group, to lift its dividend for the first time in four years.

Pre-tax profits increased by 55 per cent to £33.4m in the year to March 31, although the headline figure was flattered by a reduction in exceptional charges from £7m to £2.6m.

The underlying performance was also strong, with profits before exceptionals increasing by 26 per cent to £36m.

Earnings per share jumped to 31.8p (18.6p). A final dividend of 17p gives a total of 23.6p (22.6p).

Mr David Hubbard, chairman, said: "The benefits of recent corporate restructuring and investment were major contributors to these excellent results."

Operating profits from fuel distribution increased from £5.4m to £7.6m, thanks to stronger industrial demand, cooler weather and last-minute sales in advance of the VAT imposition.

Port services and shipping raised operating profits from £7.3m to £10.3m. Tees and Hartlepool increased their dry goods throughput by 12.5 per cent, helped by growing roll on-roll off traffic.

In engineering, operating profits fell from £16.4m to £15.4m. Mr Bill Andrews, chief executive, said sound performances in most areas had been masked by a decline in the contribution from the group's Saudi Arabian pump business and continuing losses in parts of its road and rail transport activities.

Mr Andrews said the rail business, which lost £2m, had a large number of inquiries but an inadequate level of orders. He had confidence in the products, but said the group would have to see firm orders materialising in the current year or further rationalisation would be necessary.

The group's bulk liquid storage business increased operating profits from £6.6m to £6.9m.

Gearing fell from 19 to 11 per cent. Mr Hubbard said the strength of the balance sheet provided headroom for further investment.

● **COMMENT**

The rise in the dividend was good news – though not entirely unexpected given the relatively cool winter, which always helps the fuels side. Less welcome were the problems on the engineering side, which overshadowed good performances by Hamworthy's combustion and compressor activities and a strong showing by the Geesink environmental engineering business. The shares have outperformed the market by 70 per cent since 1992, so have already enjoyed a substantial rerating as the group has become more focused. However, they still offer a 10 per cent yield premium and a prospective multiple of 14.3 does not look demanding.

Improved trading conditions help Stakis advance to £6.6m

By James Buxton

Stakis, the hotels and casinos group, almost trebled pre-tax profits in the six months to April 3, reflecting slightly improved trading conditions, increased revenue from acquisitions and a substantial drop in interest payments.

Pre-tax profit was £6.6m for a 26 week period, compared with £2.3m for the equivalent 27 weeks restated to reflect the FRS 5 accounting standard on off-balance sheet financing.

Sir Lewis Robertson, who became chairman in 1991 after the Glasgow-based company got into difficulties following poorly managed expansion, is to retire next March and hand over to Mr Richard Cole-Hamilton, deputy chairman and former chief executive of the Clydesdale Bank.

Operating profit from the group's 33 hotels rose 15 per cent to £9.91m (£8.6m) and operating profit from the 21 casinos was up 25 per cent at £6.77m (£5.4m).

Mr David Michels, chief executive, said the average room rate had risen by 3 per cent and occupancy rose from 62.6 per cent to 63.3 per cent in the low season.

The casinos, boosted by three acquisitions last year, showed a rise in the gaming win percentage from 17.8 per cent to 18.7 per cent.

Net interest charges fell from £10.9m to £7.31m reflecting lower debt after the £28m rights issue in 1993 and the sale of the healthcare division. Group overheads were static at £2.4m.

Stakis raised a further £67m from a 1-for-4 rights issue in March and together with new banking arrangements negotiated with four banks now has about £100m to spend on purchasing new hotels and casinos.

It bought two hotels in March and last month acquired the Avisford hotel near Arundel, Sussex, for £7.1m. It expects to conclude two more purchases in the next eight weeks.

Earnings per share were 1.58p (0.66p) and the interim dividend goes up to 0.65p (0.45p).

Leeds edges forward on disclosure

By Alison Smith

Leeds Permanent, the UK's fifth largest building society, is seeking to differentiate the life assurance and unit trust operations it will launch next month by aiming for the high moral ground.

Giving details of the two subsidiaries yesterday, Mr Roger Boyes, acting chief executive, said staff would be paid mainly – though not entirely – by salary, and that there would be no "direct link" between sales and remuneration.

He added that the life assurance company would provide customers with information about the charges it would make, and would explain fully to customers what policies did and did not cover.

However, it will not operate the full commission and product disclosure regime demanded by City regulators until the beginning of next year when it becomes compulsory for the whole industry.

Of the 10 largest societies, only Alliance & Leicester and Bristol & West are now tied to selling the products of one life assurance company without having said the arrangement will end.

The Leeds subsidiaries will sell a range of pensions, investments and protection products, concentrating initially on providing a service to the society's existing customers. The 800 sales staff have been drawn from Leeds' current employees, in the interests of continuity.

Mr Chris Chadwick, Leeds' commercial director, said: "The traditional life assurance sales process is a total anathema to us."

Mr Ladislav Suchopar, who joined Leeds from Allied Dunbar in 1991, is chief executive of the life company, and Mr Andrew Watson, formerly of the Prolific group, will run the unit trust company.

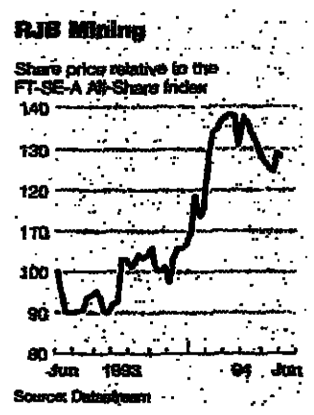
Mr Boyes said that Norwich Union, for which Leeds has been a tied agent, had not wanted to handle the administration of the new organisation.

Instead, General Accident Life will deal with the administration for the life assurance side, and SG Warburg will be the unit trust administrators. Gartmore and JP Morgan Investment Management will act as fund managers.

Chance of an all-embracing bid

Michael Smith on why RJB Mining is optimistic about its prospects

If British Coal is to stay in one piece after privatisation – and many mining executives believe that would be the surest means of preserving a large industry – then its best hope may lie in Mr Richard Budge and his RJB Mining company.



Lydia van der Meer

Richard Budge: split off the mining operations two years ago from AF Budge, the contracting group set up by his brother

With Hanson apparently not interested and RTZ unlikely to make a bid, RJB is one of the few UK companies that combines the desire and belief in its capability to operate all five British Coal regions.

Whether it has the financial and political clout to mount five successful tenders is open to question. But the fact that it can contemplate an all-embracing bid is testimony to the significant progress it has made in the two years since Mr Budge split off the mining operations from AF Budge, the contracting group set up by his older brother Tony.

By the time AF Budge went into receivership in late 1992, its former mining arm, rechristened RJB, was thriving as a separate company and on its way to the Stock Exchange.

Investors have warmed to RJB. In spite of a slow start, the company's shares have outperformed the market by nearly 30 per cent since its flotation last June. Mr Budge is a big factor in the rating.

Although his initials provide the company with its name, Mr Budge says he dislikes the cult of the personality, and tells investors and journalists that his company's success is based on its 1,400 employees and its executives. "I may be chief executive but I am just one of a team."

Colleagues say he is a good delegator but not all outsiders are convinced. "RJB is not a one man band – it has some reasonable executives," says one British Coal executive. "But I get the impression that when Budge says jump then everyone jumps. He can sometimes seem rather high-handed."

It is just as well for RJB, then, that Mr Budge is highly regarded.

A tall and athletic-looking man of 47, Mr Budge has achieved success in several walks of life. In his teens he made money from painting landscapes; in his 30s and early 40s he became one of the country's most successful amateur racing drivers.

But he has put most of his efforts into mining. After joining his brother's company as a 19-year-old, he was the driving force behind it becoming one of the biggest opencast coal producers in the country by the late 1970s.

The company won a reputation for innovation. It was, for example, the first to bring in the 170 tonne Caterpillar dumper trucks. "Everyone else said the British industry was too small for them," says one British Coal executive. "Budge led the technical scaling up in the industry."

This helps to explain why

RJB's reputation remained relatively untarnished when its former parent went into receivership. Mr Budge's initial difficulties in persuading the City of the value of his company may have been more to do with the grand plans he had for expansion.

The market was weary of an industry which had been incurring losses for years; companies associated with mining had long ago fallen out of fashion. Yet RJB was seeking money to develop under licence up to 11 mines that British Coal had closed because it could find no markets for them.

It has ended up with three, Calverton and Clipstone in Nottinghamshire, and Rossington in Yorkshire.

"They are not gold mines but they will make very reasonable rates of return," says Mr Budge.

RJB can succeed where British Coal failed, he says, because it is more responsive to household and industrial markets and because it will get far more productivity out of a smaller workforce at each mine. "We give our miners more responsibility and accountability than British Coal and they have responded well."

Mr Budge says early production from the mines has been better than expected. But none of the three have been operating under RJB for more than six months; other mining companies say a much longer test is needed before any realistic assessment can be made.

Most believe the core British Coal assets which the government is selling in five regional packages are a better bet because they have guaranteed contracts with the electricity generators until 1998.

The problem for potential bidders, RJB included, is that they will require a heavy initial outlay. Estimates as to the combined value of the successful bids vary enormously but it is likely to run into several hundred millions of pounds.

In addition, working capital requirements could easily reach £300m.

These are large sums for a company that last year made pre-tax profits of £12.2m on sales of £74.8m and is already thought to have gearing of about 50 per cent.

Politics provides an even larger hurdle to RJB taking over all of British Coal's assets. Ministers have not ruled out selling all five regions to one bidder but their desire to inject competition into privatised markets makes it likely that they will want to split British Coal up if possible.

Nonetheless, Mr Budge and RJB have shown that they are among the most optimistic about the industry's prospects and have yet to make a serious mistake in their mining operations. It would be surprising if they do not end up with at least one of the regions.

Previous articles in this series appeared on May 30, June 1 and June 2. Further articles will appear next week.

Limit seeks approval to amend its investment policies

By Richard Lapper

The largest Lloyd's investment trust is to seek permission from its shareholders to amend its investment policies, in line with potentially far-reaching changes at the insurance market.

The London Insurance Market Investment Trust said yesterday that it would seek permission to invest directly in both managing agents, which administer syndicates, as well as in new corporate underwriting entities.

The trust, which obtained a stock market quote last November, currently supports a wide spread of agents and syndicates. Its £502.5m underwriting capacity is allocated to 101 syndicates managed by 33 agents.

The announcement follows a report by Lloyd's last month which envisaged the creation of "corporate syndicates", which would draw all their capacity from one single corporate investor.

In addition, a number of managing agencies – including leading players such as Brockbank and Kiln – are examining the creation of new "dedicated" investment funds which would exclusively back syndicates managed by one agency. Hiscox Group is currently the only agency to have established such a fund.

Limit's statement said: "If these structures are created, Limit may wish to invest directly in other corporate capital entities." It added that Limit may also "wish to invest a small amount of its capital in minority interests in managing agents for the purpose of enhancing its underwriting potential."

In addition, Limit said the amount of capacity – potential underwriting income – supplied by it to syndicates could increase by up to £30m in 1995 as a result of recent rule changes by Lloyd's.

Limit made both announcements when reporting its results for the four and half months between its listing last November and the end of March. Investment income amounted to £4.8m. Under Lloyd's three-year accounting convention, income for the period does not include results from underwriting. After expenses of £900,000, pre-tax profits amounted to £3.9m.

Management buys Netlon for £40m

By Ian Hamilton Fazey, Northern Correspondent

Netlon, which makes plastic nets, mesh and grids for the food packaging, agricultural, horticultural and construction industries, has been bought by its management for about £40m.

The Blackburn-based company, which employs 380 people, was founded in 1958 by Mr Brian Mercer who has sold his 88 per cent shareholding in order to retire. A six-strong management buy-out team, which had a 9 per cent stake, has sold its own shares to itself and reinvested the post-tax proceeds in a bigger stake.

An equity and loan package will give 3i, the investment capital group, and Electra, the venture capital fund, substantial minority stakes, believed to be up to a third each. Intermediate Capital Group has provided mezzanine funding, with senior debt and working capital facilities from Bank of Scotland.

The final price has not been disclosed, but Netlon is understood to have been valued at 10 times earnings: pre-tax profits were £4.2m in the year ended September 30. This means the buy-out team would have had about £2.3m net to invest.

RIT Capital net asset value improves 22%

Net asset value of RIT Capital Partners, the investment trust, grew by 22.4 per cent to 221.6p per share over the year to March 31. Total net assets were £437m, up from £352m.

After tax of £2.7m (£1.9m) profits increased from £1.4m to £5.46m. Earnings per share rose from 0.81p to 3.03p, or 2.82p diluted. A dividend of 1.51p (1.15p) is proposed.

At the year end, quoted equities made up 49 per cent of the portfolio (£248m), government and corporate bonds 11 per cent (£56m), specialist funds 18 per cent (£94m), and unquoted companies 17 per cent (£89m).

During the year RITCP sold most of its holding in Newmont Mining, realising £114m. Its largest unquoted holding is in Amerpharm, half of which is due to be sold to E Merck.

NEWS DIGEST

Rowe Evans declines to £3.37m

Lower palm oil prices, higher costs and a fall in the contribution from associated undertakings were the principal causes of a deterioration in the trading result at Rowe Evans Investments in 1993.

Although turnover grew marginally to £5.68m (£5.6m) during the period, the cost of sales increased to £3.23m (£2.97m) and distribution costs rose to £270,000 (£204,000).

The share of profits from associated undertakings fell from £3.4m to £1.3m, leaving pre-tax profits down by some £2.7m to £3.37m.

Earnings came out at 4.45p (9.63p). The annual dividend is held at 2p.

All-round growth lifts Carr's Milling

Carr's Milling Industries said all areas of its business had contributed to an 85 per cent rise in pre-tax profits during the six months to February 28.

The group, which has interests in agribusiness, flour milling, baking and engineering, increased profits to £1.13m (£610,000) on sales from continuing businesses of £37.9m (£35m).

The interim dividend is 1.2p (1p) on earnings of 10.5p (5.4p).

Kalamazoo shows surge to £6.36m

Kalamazoo, the computer services and printed systems group, achieved a rise in pre-tax profits from £940,000 to £6.36m for the year to end-March.

Sales rose by £4.4m to £60.9m. Earnings were 10.2p (losses 0.6p) and a proposed final dividend of 2.45p makes a 3.3p (2.1p) total.

Mid Kent advances 22% to £7.5m

Mid Kent Holdings, which supplies water to Kent and Sussex and provides consultancy services to the water supply industry, lifted pre-tax profits by 22 per cent, from £6.17m to £7.51m, in the year to March 31.

Turnover advanced to £36m (£31.1m) with acquisitions contributing £2.25m. Earnings rose from 26.5p to 33p and a proposed final dividend of 6.5p makes an 11.5p (10.5p) total.

The recovery in earnings and dividend cover, together with strong cash generation, were bringing nearer the time when the company would be able to resume dividend growth.

Rowlinson advances to £3.13m

Pre-tax profits at Rowlinson Securities, the Cheshire-based property group, jumped from £722,000 to £3.13m in the year to March 31 on sales ahead 14 per cent to £10.2m.

The company attributed the profit outcome to asset disposals, the absence of significant write-downs and lower interest rates.

A final dividend of 1.56p makes a total of 1.8p (1.5p) on earnings of 15.7p (4.64p).

Glynwed shares up after AGM

Glynwed International's shares closed up 7p at 355p yesterday after Mr Gareth Davies, chairman, told the annual meeting that the company had made a good start to the year.

"Group profits for the first four months of the year are well ahead of the same period last year." Mr Davies said.

Wyndeham Press advances to £1.76m

Wyndeham Press Group, the printing and packaging company, reported pre-tax profits up from £1.02m to £1.76m for the year to end-March.

Turnover, boosted by £2.95m from acquisitions, was up from £10.6m to £13.5m. Earnings per share emerged at 7.1p (4.6p) and a final dividend of 1.5p is proposed, making 2.25p (1.35p) for the year.

Burmah Castrol in Singapore sale

Burmah Castrol has agreed in principle to sell its Hillview site in Singapore for some S$159m (£68m).

The profit on the sale, due for completion in September, is expected to be more than £40m.

The gain over book value reflected circumstances in the local market, said Burmah.

Jobs: How can companies maintain employee loyalty when they can no longer promise a job for life?

Reconciling commitment and flexibility

The Confederation of British Industry is taking a long-term view of recruitment prospects over the next 10 years in what promises to become a much more deregulated and flexible labour market.

This – it believes – will involve a reappraisal of how to motivate employees to be committed at work but also adaptable enough to embrace change even if it means accepting redundancy.

Stable employment policies are becoming increasingly difficult to maintain in companies of all kinds because of competitive pressures. Employers may want to treat their employees sensitively as human assets to be nurtured but they are under pressure to regard them also as a factor of production. But the tensions that this creates between a desire for commitment in the workplace and the need for flexibility can pose a problem.

Is it possible for employers to recruit workers in the labour market who are both loyal to the company but take an understanding view if they lose their job as the result of working in a competitive environment?

It is this fundamental issue that is concerning the CBI. Clearly a delicate balance has to be struck between the dual demands of the company: to promote loyalty among its employees but also have the power to respond to increasingly uncertain business pressures.

Mr Robbie Gilbert, the CBI's employee affairs director, explained to a recent conference on employment prospects at Warwick University School of Industrial and Business Studies: "More than ever employers will be looking for a workforce that can deliver higher productivity, work more efficiently, give reliable and customer-oriented service, be innovative and accept the need for continuous personal development and improvement."

However, he also admitted that the CBI's employment affairs committee believed it was going to become "increasingly difficult" for companies to maintain the long-term commitment of employees. The CBI is uncertain whether loyalty in the company is an outdated concept and if the future employment relationship is moving "towards specific contracts for a specified job within a specified period".

"The dilemma for employers is that whilst they want loyalty, certainly from their core employees, they are often seen to be less than loyal to those who work for them," Gilbert said. "Employers want to be able to face those who work for them with new challenges but sometimes to close the door with them on the outside."

Undoubtedly a less loyal workforce could prove much harder for a company to motivate. Structural reorganisation inside companies is also likely to weaken employee commitment.

Removing layers of management bureaucracy in companies has introduced less hierarchical, flatter organisations. As a result employers will find it more difficult to ensure job satisfaction and motivation as most promotions now tend to go in a lateral direction.

"There will also be less demarcation between manager and managed at all levels and a lessening both of status and the power that comes with being privy to information. The entire concept of management may grow more fluid," said Gilbert.

> It is possible for companies to work with individuals to help them develop a portfolio of skills and expertise for use elsewhere in the labour market

As a result companies are going to adopt a much more focused approach in their employment policies. The CBI is keen for employers to promote recruitment packages that cater for the specific needs of each employee. Employers will have to tailor their needs to what Mr Gilbert calls "a growing diversity in the labour supply". This will mean, in particular, encouraging women with children to return to work. This group is expected to fill most of the jobs to be created by 2000.

"Working patterns will need to be more flexible and realistic, tying in to company as well as individual needs," argued Gilbert. This will require a more consistent removal of workplace barriers that discriminate against gender and age. Management needs to concern itself with family issues and individual expectations.

The CBI believes that employers will have to spend more time assessing employee attitudes to work and leisure and managing those attitudes to fit in with the objectives of the business. Employers may have to sell the concept that employment with them is not for life but for a limited, often contractual period. This raises, the CBI believes, a new concept of employability. No employer can promise a job for life but it is possible for companies to work with individuals in helping them to develop their talents so they can have the best opportunity to develop a portfolio of skills and expertise for use elsewhere in the labour market. A number of City of London companies are already pursuing that policy, such as Legal and General, the insurance group.

Some participants at the Warwick conference suggested that employers might find this the best method of reconciling flexibility with commitment. Trust and loyalty ought to be possible even when a worker has limited job prospects with one particular employer.

As Gilbert explained: "In future a measure of the good employer is not necessarily one who pays the highest rate but who keeps workers' skills, and hence their employability, up to date."

He also believes that companies will have to become more candid about explaining to new employees the demands of flexibility facing them. Gilbert talks of "building productive relationships on knowledge, realism and frankness".

Not nearly enough British companies have the foresight to pursue such a policy. They tend to take a short-sighted view of their own recruitment needs. But this is mainly because many employers are forced to respond to immediate pressures rather than to manage innovation.

The government's Investors in People scheme may help to mitigate that tendency as it provides a nationally recognised quality standard to help train and develop employees throughout their working life as well as ensuring organisations invest effectively in skills training.

The CBI also believes that companies must develop new ways of attracting, retaining and motivating their employees over the next 10 years. This will mean giving them more responsibility and authority. It also recognises that employees will be better educated, more self-confident and independent than before.

Last week the Department of Employment published a glossy guide to employee involvement entitled *The Competitive Edge*. It stresses that "successful employee involvement depends on mutual trust". It talks of changing the culture of companies through recognising what David Hunt, employment secretary, called the "new realisation of the common interest of management and employees in securing business growth".

The genuine tensions between flexibility and commitment may yet be reconciled in the workplace, at least in the more innovative companies who can look beyond their immediate needs to recognise employee development is as much in their corporate interests as those who work for them.

Robert Taylor

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The bank has gone from strength to strength over the past few years, and following recent promotions, is now seeking an accomplished, analytical high flyer with 3/5+ years exposure to £25m+ deals. Strong interpersonal skills are vital to lead future transactions and to negotiate and agree the highly complex, non-standard documentation involved.

Reporting to the Head of Leasing, you will write new business and manage all aspects of a portfolio of complex high value transactions (from initial terms negotiations, instruction of and liaison with external lawyers – through to signing off on the deal).

Your big ticket experience probably will be either UK or cross border; you are ideally a graduate, highly numerate and articulate with the drive and gravitas to keep reaching for and achieving high targets – both for the business and your career.

Kidsons Impey
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Please send your CV in complete confidence, to Peter Willingham, quoting reference number 774.
NB: your papers will not be discussed with the client without express permission.

Standard Chartered

Strategic Analysts

Attractive Bank Package **City**

Outstanding young analysts to join high calibre Group Strategic Development team working across whole of bank's international network.

THE COMPANY
- Standard Chartered is renowned for its strong business around the globe, particularly in Asia Pacific, Africa and the Middle East.
- Growth and profitability result from focus on core activities and strengths.
- Committed to continued enhancement of product offerings, service quality and expansion of unique network in existing and new markets.

THE POSITION
- Key roles in pressurised high calibre strategy team. Opportunity to move into line position in 2-3 years.
- Provide support to and frequently lead group wide development programmes. International travel essential.
- Work in multidisciplinary teams on vital, intensive projects across regions, businesses and products.

QUALIFICATIONS
- Degree, strong numeracy, possibly MBA. Able to command respect at all levels.
- Intellectually able, mature and commercial with superb communication skills.
- Ideal experience in international strategy consulting and financial services. Rigorous analytical and planning ability.

Please send full cv, stating salary, ref N2172, to NBS, 54 Jermyn Street, London SW1Y 6LX

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STRUCTURED FINANCE PROFESSIONAL

London

Société Générale is a leading international bank, ranked fifteenth worldwide in terms of total assets, with representation in some 63 countries. Société Générale in the UK provides banking and investment advice and services to corporate and institutional clients.

We are looking for a structured finance professional to work as part of a small team reporting to the Head of Structured Finance. The role will involve analysis, modelling, documentation and execution of leveraged financings and tax-based structured financings, either as a leader or as a member of a small team depending on the nature of the transaction.

The successful candidate will have ideally gained a sound knowledge of UK leveraged financing through active involvement in a number of successfully completed transactions. A self-starter with a high commitment to quality, the candidate will demonstrate an ability both to build effective relationships with counterparts at all levels and to handle the broad business activity of the unit. The ability to speak French would be an advantage but is not essential.

Candidates are likely to be working either in an acquisition finance team active in the market or as a qualified accountant working in the corporate finance area within a major firm. A competitive salary package will reflect our commitment to the right individual.

If you would like to join our highly motivated team of professionals, please send a detailed CV to: Louise Barrett, Head of Human Resources, Société Générale, 60 Gracechurch Street, London EC3V 0HD.

SOCIETE GENERALE

Société Générale is a member of the Securities and Futures Authority

TREASURY MANAGER

TONER GRAHAM
ACCOUNTANCY RECRUITMENT SPECIALISTS

M4 Corridor **c £33,000 + Bonus + Car**

Our client is a major International corporation – a distinct leader in a number of key markets. The company's renown for quality and excellence extends well beyond its marketing and manufacturing capabilities into all areas of the business infrastructure – the finance function is no exception.

Reporting to the Deputy Group Treasurer, an opportunity has arisen for a high calibre professional to join the head office team. The role will provide specialist expertise in cash and funding management. Key responsibilities will include:

- *Managing bank relationships and progressing new funding sources*
- *Controlling international cashflows to optimise cash and borrowing positions, and minimise group interest costs*
- *Providing financial support for major investment proposals and new business ventures*
- *Ongoing assessment of capital market and derivative products*

There will be significant liaison, both with operating subsidiaries and headquarter's financial management and with external institutions.

Successful candidates will be graduates and have an accounting, MBA, or ACT qualification as well as a minimum of three years experience in an international treasury or banking operation. Excellent communication skills and a 'hands on' approach are essential requirements.

On offer is not just an attractive remuneration and benefits package but the opportunity to play a significant role in the future of this exciting and highly successful company, with prospects for advancement dependent upon merit, not length of service.

Interested applicants should write enclosing a comprehensive C.V., in the strictest confidence, quoting reference RFC95A to:

Joe Graham CA at Toner Graham,
8 Imperial Square,
Cheltenham,
GL50 1QB.

BRUSSELS BASED EC LAWYERS

CLIFFORD CHANCE is recruiting at least two recently qualified lawyers to advise on EC law in our Brussels office.

Candidates should be fully qualified lawyers, preferably:
- from a current or prospective EC Member State;
- with academic qualifications that include significant study of substantive EC law;
- having a thorough capability in written and spoken English and at least one other official language of the EC.

The positions are in the Brussels EC group which advises international clients on all aspects of EC law – in particular competition law, trade law and EC regulatory matters such as environmental issues and financial services.

The successful candidates will be selected not only on the basis of qualifications but particularly on their aptitude to work successfully in a multi-national, dynamic and major practice area in an international firm. The remuneration package will be generous and competitive.

Written applications should reach:

Alisa Cole
Avenue Louise 65
Box 2, 1050 Brussels, Belgium
Not later than 30 June 1994

CLIFFORD CHANCE

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National Bank of Bahrain | بنك البحرين الوطني

National Bank of Bahrain is a leading commercial bank based in Bahrain in the Arabian Gulf with assets of over US$ 2 billion. As a part of the Bank's plan to consolidate operating performance through better utilisation of its existing assets and selective expansion, NBB invites applications from outstanding investment professionals for the position of

Senior Portfolio Manager

Major responsibilities :
- Function as a senior member of the Investments and Trading team and manage the Bank's Investment portfolios made up primarily of Fixed and Floating Rate Securities in major currencies.
- Manage client portfolios.
- Recommend and implement hedging techniques to protect asset values of both the Bank and clients' portfolios.
- Coordinate with external Fund Managers and adopt strategies that maximise return on assets.
- Market investment related products and achieve earnings target in marketable securities and portfolio management.
- Evaluate investment opportunities and recommend dealing strategies and tactics.

Position requirements :
- University Degree.
- At least ten years' relevant professional experience in portfolio management and securities trading in major currencies including a successful track record of managing a similar profit centre in an international financial institution.
- Solid knowledge of and experience in derivative products and markets. Complete familiarity with Information and Communication systems relevant to Investments and Trading with full ability to perform in an automated environment.

NBB offers an excellent tax free compensation package with the usual expatriate benefits.

Please forward your application to Senior Manager, Human Resources Development, National Bank of Bahrain, P O Box 106, Manama, Bahrain.

GENERAL MANAGER AIR CARGO

American corporation needs top managers for London/Frankfurt/Amsterdam/Moscow offices for new Russian Airline. India/CIS/Europe/US. Must have 15-30 years experience in similar positions. Will set up operations, assemble team and operate a profit center.

Fax resume: Mr Baptista 1-714-433-7824

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good basic salary
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MISSION STATEMENT:
'To deliver to our clients, with integrity and service, expert advice and superior products that create wealth and financial security'

We have gained 25 Micropal awards, winning 4 in 1993, and were placed amongst the leaders in all fund sectors featured in Financial Adviser's Annual Personal Pension Survey.

We manage the life, pension, unit trust and off-shore funds of Hansard Financial Trust who are industry leaders, being overall winners of the 1993 Direct Salesforce Professional Annual Awards.

We will appoint a talented and experienced individual to complete our team, currently responsible for £620m, of which around £150m is fixed interest.

As the successful candidate you will be used to dealing at all levels of an organisation, and be confident in the creation and management of portfolios in your own area of expertise. You will be educated to degree level, probably with membership of IIMR.

This background will enable you to take full responsibility for investment in Fixed Interest, and participate in the general asset allocation process. Vision and maturity will ensure your place in our strategic plans, consequently a Directorship may be offered to the successful candidate

Please send a CV to:
Lynda MacLean
Senior Personnel Officer
Hansard Fund Mangers Ltd
Liberty House, Station Road
New Barnet
Herts. EN5 1PA

SALES EXECUTIVE

Competitive Package
Sydney, Australia

We are a leading international stockbroking company specialising in equities and related products in markets of the Asia-Pacific region, Latin America and emerging European markets, and we are now wishing to appoint a Sales Executive to market S.E. Asian products.

Reporting to Senior Management in London, the Sales Executive will be based in our office in Sydney, Australia.

The successful candidate should be of graduate calibre, mid to late 20s, with at least 3 years relevant experience with a banking or securities house. Experience of S.E. Asian markets would be an added advantage. Self-motivation and excellent communication skills are essential for this role.

Interested applicants should send a full CV including current salary details to P.O. Box A2057, Financial Times, 1 Southwark Bridge, London SE1 9HL.

BI-LINGUAL SENIOR MIDDLE EAST SALES EXECUTIVE FIXED INCOME SECURITIES

We are one of the leading institutions within Capital Markets and we wish to expand and develop our existing Middle East sales team. We require a Senior Sales Executive with several years' relevant local experience, preferably gained in Saudi Arabia and/or Bahrain. Experience must include sound understanding of both US and Far Eastern bond and equity linked products including converts with options, and the successful candidate will already possess extensive contacts in the region, especially with central banks and major financial institutions.

Complete fluency in written and spoken English and Arabic is a prerequisite. The post will involve extensive travel to the Middle East and daily liaison with English speaking sales teams and syndicate desks (on a global sales strategy basis). Salary: £75,000 plus bonus.

Confidential enquiries should be addressed to PO Box No A 2051, Financial Times, 1 Southwark Bridge, London SE1 9HL.

GUINNESS FLIGHT
ASIA LIMITED

ASIA PACIFIC INVESTMENT DIRECTOR

HONG KONG BASED

Guinness Flight have recently established a regional headquarters in Hong Kong. An investment director and skilled investment managers are now required to expand the range of Asia Pacific products offered to the Group's rapidly growing clientele.

The successful investment director candidate will report to the local Managing Director and will lead the equity team based in Hong Kong. Equity participation in Guinness Flight Asia will be available for the right candidate who must be able to demonstrate that they have the required experience and a successful track record in managing Asia Pacific (ex-Japan) equities. If you are in your mid 30s and seek a position where an effective contribution towards creating a successful business can build for you a substantial capital sum, please write with a full CV to:

Tim Guinness, Chairman, Guinness Flight Asia Limited,
c/o 5 Gainsford Street, London SE1 2NE. Tel: (071) 522 2100. Fax: (071) 522 2105

or

Dudley Howard, Managing Director, Guinness Flight Asia Limited,
Guinness Flight Unit Trust Centre, Upper Ground Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Tel: (852) 861 6801. Fax: (852) 861 6862.

EUROPEAN DEVELOPMENT OFFICE DIRECTOR

The Commonwealth of Kentucky, Cabinet for Economic Development, an agency of state government is seeking an experienced economic development professional to serve as director of Kentucky's European Development and Trade Office located in Brussels, Belgium.

This contractual position requires an experienced international manager who can assist state officials in the design and execution of a sales/marketing strategy that will generate the interest of European businesses and industries to locate facilities in Kentucky and/or establish trade relations with Kentucky businesses. This includes an active personal calling program on companies targeted for relocation, expansion or trade.

Familiarity with both Kentucky and the European Economic Community is a must. Proficiency in a foreign language(s) applicable to the area is a plus.

Send a resume with salary history no later than June 15 to:

Mr James K. Navolio, Commissioner
Department of Job Development
Kentucky Cabinet for Economic Development
500 Mero Street
2300 Capital Plaza Tower
Frankfort, Kentucky 40601
Facsimile: 502/564-3256

U.S. BANK TRAINED CREDIT/RESEARCH ANALYSTS

Salary: Excellent **Bonus + Benefits**

We require for our major bank clients, the following trained analysts:

£75K+ - Credit/Administration	- Capital Markets
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£40K+ - Eastern Europe	- Trading Products
£35K+ - Middle East/Africa	- Trading Products
£35K+ - Australia/China/India	- Counterparties

If you have a strong personality, are currently working within a major bank and seek a significant forward move in your career, fax or mail your cv, with full details, to Ron Bradley, Head of Executive Recruitment

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel: 071-623 1266 Fax: 071-626 5259

JONATHAN WREN EXECUTIVE

TURKISH BUSINESS DEVELOPMENT OFFICER

A major European Financial Institution seeks a Turkish Business Development Officer for its London Emerging Markets Group.

The successful candidate will have a minimum of two years' relevant financial experience in Turkey, including working with Turkish Treasury/Foreign Trade Department and covering recent privatisations, and will be at ease dealing with Government officials and Chief executives in major industries there.

He/She will need first class academic qualifications (preferably to second degree level) in a relevant discipline, and will offer perfect fluency written and spoken, in Turkish and English, being able to conduct business in both languages would be a considerable advantage.

Confidential enquiries should be addressed to PO Box No A 2050, Financial Times, 1 Southwark Bridge, London SE1 9HL.

INTERSEC
RESEARCH CORP.

RESEARCH ASSOCIATE
Global Investment

InterSec is an expanding international research consultancy with headquarters in Stamford, Connecticut and offices in London, Tokyo, Geneva, Zurich, and Ottawa. Our clients include major international banks, institutional investors, and money managers worldwide.

Based in London you will join a team of highly qualified professionals providing information and advice to our clients. Responsibilities will include investigative research, calling and meeting with investment professionals, updating our expanding global data bases, liaising with clients, preparing and writing report documents and assisting in the development of new products and markets.

You will be supported by a motivated team in London together with an international network of offices staffed by highly skilled professionals with a reputation for quality and high standards.

Ideally you will be aged 25-35, be ambitious, imaginative and enjoy working with flexibility in a small team. Good communication skills are essential and a European language (preferably French or German) would be an advantage. You will be educated to degree level and have experience in either asset management, financial market research or as a financial journalist. The successful candidate will also be computer-literate with a good understanding of spreadsheets and databases, enjoy regular contact with clients and be able to write clear and precise English.

Salary: £25,000 to £30,000 pa depending on experience and qualifications.

InterSec is an equal opportunity employer.

Reply in writing to The Director, InterSec Research Corp. Pegasus House, 37-43 Sackville Street, London W1X 1DB.

BRITISH MERCHANT BANKING AND SECURITIES HOUSES ASSOCIATION (BMBA)

SENIOR EXECUTIVE

The BMBA, which represents the interests of the leading firms in the investment banking industry, has a vacancy for a senior executive to work in the field of financial resources regulation.

The successful candidate will either have had direct experience as a practitioner or will have extensive knowledge of the legislative and regulatory framework, both domestic and international. He or she will need good communication skills; some knowledge of European languages would also be an advantage.

Remuneration and benefits will depend on experience and qualifications, but will reflect the importance of the post.

Applications (marked "Personal") should be sent, with a full curriculum vitae, to:

The Director General, BMBA
6 Frederick's Place
London EC2R 8BT

All applications will be treated in complete confidence.

SENIORS FORWARDS, IRS SWAPS,

join a top-rank financial group, a leader in the Paris market.

You will deal with our London clients in a wide range of currencies, rates and derivative products.

To be successful, you will have considerable knowledge of exchange rate and/or Swaps techniques with 2-3 years experience in financial or banking markets.

The position will be based in Paris, so ability to speak French will be an asset.

If you want to join a dynamic, constantly developing group, send your CV plus application letter in English, under reference 563, to : COMMUNIQUE 50/54, rue de Silly - 92513 BOULOGNE BILLANCOURT CEDEX - FRANCE.

MEDIAPA

JAPANESE EQUITY SALES

- Excellent opportunity for sales person experienced in Japanese equities
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- Support from English Analyst

Please send full CV to
The Personnel Manager
Cosmo Securities (Europe) Ltd. Garden House.
18 Finsbury Circus. London EC2M 7BP

FT/LES ECHOS

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Philip Wrigley on
071 873 3351

RMJ EUROPE LIMITED — City

Senior U.S. Treasury Broker

RMJ Securities Corporation, a division of Exco plc, seeks to recruit a senior U.S. treasury broker for their London office. Suitable candidates must possess:

- a degree level education and a minimum 5 years experience of broking U.S. Government securities - 2 years at senior management level.
- a proven track record in the U.S. treasury market, including at least 18 months experience working in the Tokyo and New York markets
- a minimum of 2 years experience of managing a desk and staff
- the ability to bring with them an established client base and the capability to develop a market strategy for this sector.

Competitive remuneration packages will be offered for this high-profile position.

Should you meet these requirements, please write with full C.V. and details of current remuneration package to : Senior Personnel Officer, Exco (Management Services) Ltd., Sherborne House, 119 Cannon Street, London EC4N 5AX.

EXCO
An Exco plc Company

NO AGENCIES

SALES EXECUTIVE
DC GARDNER

DC Gardner is a highly successful international training consultancy providing specialist tailored training programmes to banks and financial institutions. It is a division of the Euromoney Group, one of the world's leading providers of financial and business information.

We are now seeking a sales person to work alongside the team of consultants who deliver Investment Banking and Corporate Banking training programmes. The candidate must have a strong sales background as well as a good understanding of the international financial marketplace and banking environment. Since DC Gardner's training programmes are tailored to meet the client's exact requirements; the sales executive will be responsible not only for sales but will also act as an interface between the client and the banking consultant.

Candidates must be dynamic, self-motivated, able to work independently and will be expected to find creative solutions to maximise opportunities. Great emphasis will be placed on communication skills and the ability to draft proposals to tight deadlines. Good keyboard skills are a must whilst languages, though not essential, are a plus.

This role will involve considerable overseas travel, but will be based in our London office. A competitive salary and incentive scheme will be offered.

Applicants should apply in writing enclosing a full CV to
Nicki Message, DC Gardner Training, Nestor House,
Playhouse Yard, London EC4V 5EX.

PRIVATE EQUITY

An international private equity group is seeking to recruit a new associate for its London headquarters. You must have a degree or professional qualification and at least two years' work experience. You will be under 30 years old and fluent in French, German or Spanish. You will need to have good memory, be very computer literate, a good wordsmith, numerate, analytical and a good communicator. You should be meticulous, frugal, reliable, task-orientated and respectful of deadlines. Only self-starters with a sense of humour need apply.

Write with CV to:

David S. Huckfield Administration Partner,
Baring Venture Partners Limited
140 Park Lane, London W1Y 3AA

Swiss Cantobank Securities Limited

Swiss Cantobank Securities Limited is the Eurobond house and international securities company of the Kantonalbanks, a major retail force in Switzerland.

Based in the City of London a small but dynamic team services a select client base and advises funds in excess of Sfr 6 billion.

As a result of business growth we are searching for individuals for the following posts:-

SENIOR EUROBOND TRADER
(Ref: ST1)

We are looking to expand and strengthen our Capital Market section with a Senior Trader to take charge of a small trading team. The team services retail clients and institutional funds. Experience in a similar position is preferred but a thorough knowledge of the bond market, especially in the European sector, is essential. Additional languages preferred but not necessarily a requirement of the position.

BOND SALES
(Ref: ST2)

We are looking to expand and strengthen our sales team within the Capital Market section. Experience in sales of Eurobonds, especially in the European sector, together with fluency in English and German or French is a requirement.

A competitive salary package is offered for these positions.

Applicants should write, quoting the appropriate reference and enclosing CV and salary details, to Personnel, Swiss Cantobank Securities Limited, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AS.

The International Securities Company of the Swiss Cantonal Banks

SOFTWARE DESIGNER/PROGRAMMER
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Saratoga Limited
wishes to recruit a programmer to
construct real-time Financial/Equity Options pricing
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possible experience with
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Candidates interested in the position should write to Dot Grindley, Saratoga Ltd. 65-66 Queen Street, London EC4R 1EB, enclosing full career and salary details.

AD SALES MANAGER. A prestigious Intl. publishing co. is seeking a highly motivated, self-starter to develop European ad sales. Must have at least 3 yrs. of sales exp. Intl ad sales exp. is a plus. Preferably fluent in French and/or other Euro. Lang. This highly energetic individual needs to develop creative marketing campaigns to obtain new clients. London based/extensive travel in Europe. For more info. call Ms Bertucci
UK 071-430-0881 US 212-303-3576

Japanese Derivatives Brokers

A leading firm of international moneybrokers have vacancies for applicants who are fluent in Japanese as well as being familiar with the culture of Japanese business practice. All successful applicants will be employed to assist the company in developing its activities in Interest Rate Derivatives for their London, Hong Kong and New York offices. Applicants should either be experienced brokers or trainees, fluent in both Japanese and English who wish to pursue a career in the financial markets and competitive remuneration and benefits will be available to successful applicants. (Comprehensive training will also be available where applicable.)

Applications should be made, in writing, enclosing a current curriculum vitae to Mrs G Pearton, Personnel & Human Resources, M. W. Marshall & Co. Ltd., Lloyds Chambers, 1 Portsoken Street, London E1 8DF. United Kingdom.

MIS/Technical Support Manager

C. £40K, + Bonus + Benefits **City Location**

Exciting opportunity for an individual to be responsible for the Project Management of enhancements and new developments on a Portfolio Accounting System. In addition to coordination and implementation of voice and data communications, market data, LAN and WAN.

Candidate would need to have a university degree, high degree of numeracy, work well under pressure as part of a team or independently. Ideally computer literacy in HP, VAX, PC's and MAC's together with associated software, some experience in systems integration useful.

Candidate will work in conjunction with New York office to manage WAN and maintain HP3000 as "hot site" for NY. Strategy and vision for the future development of this new site would be ideal.

Please send your CV to Peak Consulting, Glen House 200-208 Tottenham Court Road, London W1P 9LA Tel 071 323 4770 & Fax 071 323 9643.

PROJECT FINANCE SPECIALIST

International, world-scale Project Developer with concentration primarily in upstream and downstream oil and gas-related activities seeks candidates for the position of Senior Executive, Project Finance.

This newly created position will operate on a senior level to establish feasible financing alternatives for international projects in the oil and gas sector. Typically, such projects will require limited recourse project finance solutions, often necessitating the arrangement of political risk coverage from international financial institutions. In some instances, private placements or local developing country equity markets will provide the most efficient source of funding.

A candidate should be knowledgeable concerning all aspects of project finance challenges, should have well-developed relationships within the international banking and, specifically, project finance community, should be able to develop creative approaches to the financial challenges present in this field, and provide reliable commentary on the boundaries of such feasible solutions.

Minimum experience level of 15 years in related duties is required.

This position will be located in the corporate offices in Houston, Texas with extensive travel required. Competitive compensation, bonus and company paid benefits program provided.

Please submit resume, including description of recent project experience to: Box A2048, Financial Times, One Southwark Bridge, London SE1 9HL.

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NUMBER ONE SOUTHWARK BRIDGE,
LONDON SE1 9HL

OFFICE MANAGER/ ADMINISTRATIVE ASSISTANT

Leading International Financial Futures & Options trading firm seeks an enthusiastic individual with a minimum of 5 years industry experience. The successful candidate will be well organised, computer literate and able to work well under pressure. Degree level education with a professional and motivated attitude is required to secure this position. Foreign language skills would be a bonus. We offer growth potential and a competitive starting salary.

Please send cv with current salary to, PO Box A2045, Financial Times, One Southwark Bridge, London SE1 9HL

APPOINTMENTS WANTED

ECONOMIST, Ph.D.,

Specialised in South America's foreign trade, seeks position, preferably in the US, ideally within banking, finance. Fluent in French, English, Portuguese and working knowledge of Spanish and German. Four years experience in economic analysis/research in Brazilian public sector.

Write to: Box A2052, Financial Times, One Southwark Bridge, London SE1 9HL.

EUROPEAN LEASING

Experienced Managing Director ready to start up/restructure European sales-aid finance business. Unique skills and experience to maximise funding, tax shelter and Pan-European marketing advantages, seeks appointment with lessors, manufacturers interested in the development of sales-aid finance business in major European markets.

Write to: Box A2056, Financial Times, One Southwark Bridge, London SE1 9HL.

Strategic Planning Manager

Glasgow c£40,000 (Financial Services Package)

Scottish Mutual Assurance plc is a company with great plans for the future. Our aim is to significantly develop new business, to take full advantage of developing European and offshore opportunities and to place our life assurance business within the top ten UK life assurance companies.

We require a Strategic Planning Manager, reporting to the Director of Strategic Planning and Development, whose task will be to identify key strategic issues likely to affect the Life Assurance market and the IFA Sector in particular and to formulate objectives and strategies to enable us to achieve our aims.

You should ideally have at least five years' commercial experience in a line management and planning or consultancy role, with highly developed analytical, conceptual and strategic thinking skills. You will also possess the ability to produce practical strategies and plans for the allocation of capital and revenue resources.

A graduate with a good honours degree and ideally a commercially relevant post graduate or professional qualification (eg, MBA; ACA), you should have good interpersonal and written communication skills as well as a confident and persuasive manner when dealing with all levels of Senior Management.

In return we offer an attractive benefits package which includes an excellent working environment in Glasgow city centre, non-contributory pension scheme, life assurance, concessionary mortgage (subject to eligibility), subsidised BUPA and discretionary profit share.

This is a role which is as exciting as it is demanding; if you have the abilities to take the Company where we want to be, contact: Alison McTaggart, Personnel Manager, 287-301 St Vincent Street, Glasgow G2 5NB.

In pursuing our policy of equality of opportunity for all, Scottish Mutual positively welcomes applications from every section of the community.

To support a healthy work environment, Scottish Mutual has a no smoking policy.

Scottish Mutual

Promoting Success Through Equality

The Top Opportunities Section

Advertise your senior management positions to Europe's business readership.

For information please contact:

Philip Wrigley

071 873 3351

Gearbulk Holding Limited, Bermuda is an international shipping company with a fleet of 43 open hatch vessels of about 40,000 dwt. Gearbulk (UK) Ltd., agent for the group, is based in Esher, Surrey and employs about 100 people.

MANAGER - SHIP FINANCE

Gearbulk (UK) Ltd. requires an experienced finance manager to join an existing team of three, responsible for evaluating investment projects, negotiating financing terms, project management, treasury functions and assisting in general corporate management. You must be an energetic self-starter who can operate with a minimum of supervision, whilst maintaining a team mentality.

The successful candidate will probably be aged 30-35, educated to degree level and have a background in ship finance from a bank or shipping company, or alternatively be able to demonstrate successful financial project management. Computer literacy is essential.

The company offers excellent working conditions, a competitive salary and benefits package plus real opportunity for career progression within a forward-looking and successful organisation. Non-smokers are preferred.

If you are interested please send your CV (which will be treated in the strictest confidence) to: Gearbulk (UK) Ltd., Milbourne House, Copsem Lane, Esher, Surrey KT10 9EP, for the attention of J A Hope.

Futures Researcher

A most prestigious American Securities House with a highly regarded Research Product Department wishes to strengthen their coverage in Interest Rate Futures. The ideal candidate must be a first class communicator and have strong analytical abilities. This is an exciting career opportunity for a highly motivated candidate.

Futures and Options Specialist Sales Person

A most respected American Securities House with a very active global client base is expanding its Futures and Options facilities. The ideal candidate will join a team providing a pro active sales service to institutional clients with advanced technical, fundamental and economic analysis and the promotion of technical research.

Proprietary European Government Bond Trader

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A major U.S. firm of Stockbrokers and Investment bankers seeks an experienced capital markets counterparty credit Managing Director for its London office. Geographic responsibilities include Europe, Middle East, Africa and Australia.

The ideal candidate must have five or more years current experience analyzing counterparty credit for a major U.S. broker/dealer, plus formal credit training and some work experience at a money centre bank. This experience must include product knowledge of derivatives (interest rate, equity, currency and commodity swaps, over-the-counter options, etc.) repurchase agreements, foreign exchange, emerging markets debt, mortgage-backed securities and exchange-traded futures.

Persons eligible for this position must also have experience managing at least five counterparty credit analysts. Post-graduate level education required. Excellent communications skills essential. Legal liaison experience helpful.

Write to Box A2059, Financial Times, One Southwark Bridge, London SE1 9HL

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An exceptional opportunity has arisen for a Private Client Fund Manager to join THESIS, the financial services arm (with over £100,000,000 under management) of leading South East law firm, THOMAS EGGAR VERRALL BOWLES

The role calls for someone with an open, positive style who can operate within a well-established team which is responsible for the continuous development of private client investment management. THESIS is at the vanguard nationally of this most dynamic area of Solicitor Investment Management.

The ideal candidate will be suitably qualified with a minimum of four years' investment management experience, and will have strong inter-personal skills as well as the ability to work under pressure.

Interested parties should apply for a job description and application form from: Jocelyn Threadgold, Personnel & Training Officer, 45 South Street, Chichester, West Sussex, PO19 1DS, or telephone 0243 786111.

FIMBRA ASIM

Finance Director – Marketing

London **c £40,000 + Benefits**

Our client is one of the largest and most successful advertising agencies in the world. Its European agency network enjoys an enviable reputation within the industry with a substantial portfolio of market leading Pan-European accounts.

As a consequence of the policy of developing truly global advertising campaigns for these major accounts, they are looking to appoint a dynamic and commercially minded individual to work within this area of the business.

Reporting to the European Finance Director, you will play a crucial role in the strategic development of the European operations.

Responsibilities will include:

- monitoring and improvement of global client account profitability;
- review and improvement of financial reporting;
- recommending and implementing efficiency initiatives;
- systems development;
- negotiations with clients.

This key role will involve extensive contact with both the Worldwide Account Directors and local Finance Directors within the European agency network, as the individual will be expected to provide significant commercial input to the management and continued profitable growth of the business.

Candidates, aged 27-35, must be graduate qualified accountants. You must be able to demonstrate a successful track record, preferably with advertising experience, and a determined yet diplomatic approach. You will have the strength of character and enthusiasm to thrive in what is a fast moving progressive environment.

Interested applicants should send a full curriculum vitae indicating current salary to Simon North at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting ref 189555.

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KPMG Peat Marwick is one of the world's leading accountancy and consultancy firms. The firm's name is synonymous with quality and professionalism. The practice enjoys a particularly strong reputation in the financial sector where it boasts an unparalleled UK client base of over 1000 financial institutions. A specialist department has been created to provide regulatory and technical advice and due to the unprecedented demand for its services the firm is looking for people with specialist knowledge to join the group.

You will be providing technical and regulatory advice and will also be involved in technical reviews, presentations, training, rule interpretation, investigations and research.

Successful candidates will be qualified accountants with at least three years' post qualification experience and have a knowledge of Life Assurance. You will be specialising in retail regulation consulting and must have experience of LAUTRO, PIA, IMRO and FIMBRA regulations. Knowledge of the French language would also be an advantage.

A further opportunity also exists for a qualified accountant with at least three years' post qualification experience with a knowledge of securities and investment funds. Experience of FSA regulated clients is essential.

Candidates must be able to demonstrate technical competence together with strong presentation and communication skills.

Candidates interested in the positions should write to Jeanette Dunworth, HR Manager, KPMG Peat Marwick, 1–2 Dorset Rise, Blackfriars, London EC4Y 8AE, enclosing full career and salary details.

KPMG Peat Marwick

Antiquarian Books

c £40,000 **London W1**

Our client, one of the world's major dealers in antiquarian books and manuscripts, wishes to appoint a **Financial Controller** to take over from the present incumbent who is shortly to retire. This is the senior financial post in the company, reporting directly to the Owner.

The post demands good accounting skills, including cash flow management, foreign exchange and VAT as well as the production of monthly management accounts and the usual company secretarial functions. However there is as much emphasis on day to day administration of the business including management of the premises (owned by the company), office facilities, insurance, security and compliance with legislation in areas such as health and safety.

Candidates should be qualified accountants with experience in office administration as well as accounting. They should be able to demonstrate their ability to cope successfully with the demands of non-routine accounting procedures and at the same time manage day to day administrative problems effectively. Although there is a small accounts team, the successful candidate will be expected to adopt a 'hands on' approach to work and get involved in detail as well as longer term planning. A good knowledge of the use of computers is essential..

The package includes, in addition to a starting salary of c £40,000, an occupational pension scheme with death in service benefits and permanent health insurance. Private medical insurance is also offered.

BDO

Please write in the first instance, including a full CV with salary history, quoting ref. no L02594, to Anne Knell,
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CHIEF ACCOUNTANT

CENTRAL LONDON **c £35,000**

A rapidly growing ship management company acting exclusively for overseas principals is seeking a dynamic and experienced Chief Accountant to oversee the financial management and accounting functions of the fleet and the office.

The successful candidate will be a qualified accountant aged 35-45, with shipping experience, computer literacy and a sound track record of achievement in this type of role.

Please apply in writing enclosing your c.v. and details of current remuneration to:

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This is a senior role having considerable impact on group finance matters and requires high level liaison throughout the group's operations and with major external agencies. Applicants should be graduates, ACA qualified, conversant with computers and information technology and possess the highest degree of drive, ambition, resilience and energy.

Interested applicants should apply in writing through our accountants:

Soteriou Banerji
Chartered Accountants
253 Gray's Inn Road, London WC1X 8QT
Contact: *Judi Harris*

ACCOUNTANCY COLUMN

Malignant virus plays havoc with numbers

Andrew Jack argues that the profession risks losing credibility in the wake of the Lasmo-Enterprise battle

A virulent numbers-eating killer bug is gnawing away at the body of British accounting, in an epidemic that threatens the profession's credibility.

Experts believed they had starved out the mystery virus in a climate of reform following the harsh years of recession. But a fresh outbreak of cases in London in the last few days has raised fears that it is back with a vengeance and may have developed immunity to regulatory antibiotics.

The latest manifestation came last week in a glossy 12-page defence document from Lasmo, the oil exploration company, called "Enterprise Oil: the financial myth". It attacks the accounting policies of Enterprise, its rival, which has launched a hostile takeover bid.

The sub-title is more tantalising: a quote from Mr Graham Hearne, the chairman and chief executive of Enterprise, stating "Earnings . . . the playthings of accountants". A cynical observer of the battle between the two companies and their advisers might be more tempted to re-phrase that as "Accountants . . . the playthings of their clients".

The Lasmo document accuses Enterprise of contravening UK accounting standards in its acquisition of several oil and gas assets in the past few years to inflate earnings. It also highlights a catalogue of what it maintains are financial weaknesses in its rival, such as poor dividend cover and high gearing.

As in so many other areas, the details of the accusations are rather less important or interesting than what the attack says about those behind them. KPMG Peat Marwick, which provided clean audit opinions on Enterprise's accounts, indignantly defends itself and its client.

Ernst & Young, Lasmo's auditors, and in particular a team of corporate finance specialists at Coopers & Lybrand, are behind the accounting attack. While the wording has been carefully phrased by lawyers to suggest the accusations are made by Lasmo's board, both firms have confirmed that they stand by all the assertions in the document.

No doubt other firms would have been equally willing to help. "If this is the best that they can come up with, maybe I should go over and give them some lessons," says a top partner in a leading firm of accountants who specialises in ripping apart accounts.

Finding a firm of any appreciable size to comment publicly on the Lasmo-Enterprise bid is a different matter. Most have apparently had no problem in developing "client conflicts" as auditors or advisers to one side or the other, which means professional ethics forbids them from speaking out on the subject.

All this is good fun for financial journalists and other observers of business, of course, who nostalgically recall the corporate battles of the 1980s. Senior executives are suddenly available for comment day and night, while their advisers offer off-the-record "objective" briefings and trade insults about their rivals.

But it sits rather uneasily with an accountancy profession plaintively claiming that its reputation has been unfairly tarnished by critics and pleading to be trusted to act responsibly to exercise its own judgments rather than be hidebound by formulaic financial reporting standards.

An unsavoury conclusion emerges from the Lasmo attack. Either Coopers *et al* is right and Enterprise has breached accounting standards – in which case KPMG should have qualified the accounts – or it has made a misguided accusation. At least one firm has therefore produced an opinion which ought to be seen as highly damaging to its integrity as a group of professionals with independent judgment.

Even short of the issue of whether there has been an actual breach of standards, the back-and-forth between the firms suggests that the opinions provided by accountants are questionable and that the readers of accounts should be more wary than ever of the information in annual reports. At the extreme, that suggests we may as well dispense with the audit as a credible statement altogether.

The minutiae of the Lasmo accusation are interesting, and certainly do not reflect well on accounting in the late 1980s. Enterprise bought an interest in the Beryl oil field properties in 1988 for £158m, but put it in its own books at just £9m allowing it to keep depreciation minimal and profits up.

Enterprise says it used the merger provision in SSAP 23, the standard on acquisitions and mergers, which permits significant adjustments to the value of the assets. It argues this was the most "prudent" approach.

Some observers suggest that the presence of extensive footnotes in the accounts indicates KPMG was nervous about the treatment and insisted on significant disclosure to compensate. Lasmo, backed by Coopers, says it believes the £149m adjustment in the books baldly breached the standard – whether merger or acquisition accounting was used.

The small print certainly shows the use of a rather tortuous scheme in lieu of paying cash for Beryl directly, which would have been treated as an acquisition. Warburg, Enterprise's merchant bank, paid £158m for all the shares in an off-the-shelf company registered in Jersey (with its limited disclosure requirements) called Tonmar Trading. Tonmar used the money to pay £158m in cash for Beryl.

Meanwhile, Warburg underwrote a placing of £158m of new Enterprise shares, which it was given in exchange for handing over all the Tonmar shares to Enterprise. Warburg received a percentage commission on the placing. Enterprise acquired the Beryl assets through their transitory owner, Tonmar, which was rewarded by being swiftly liquidated. The practice is hardly the most conventional form of merger, though it appears to comply with the letter of SSAP 23. It was one of many financial engineering schemes practiced in the 1980s, and signed off unqualified by firms of auditors.

Mr David Tweedie, chairman of the Accounting Standards Board, says in a general reference to merger accounting that it was widely abused in the 1980s until advisers found it was even easier to exploit other rules in the standard on pre-acquisition provisions. He has now clamped down on both issues in draft standards.

That might suggest that even if the criticism of Enterprise is valid and the tactic was widespread, it is at least a thing of the past. But the salvoes from advisers on both sides of the battle suggest accountants are as eager as ever to lend professional credence to the beliefs of corporate executives – even when their views contradict.

Take the latest statement from the Financial Reporting Review Panel last month. It "welcomed" the decision by BET, the business services group, to restate in its 1994 accounts details from its 1993 profits. It said the original version did not fulfil the requirement of FRS 3, the new standard on the profit and loss account designed among other things to all but eliminate profit-massaging extraordinary items.

BET chose to highlight in boxes both its operating profit before exceptional items, and the value of exceptional items. No such box flagged the all-inclusive figure of pre-tax profit (or, in this case, after exceptionals, the pre-tax loss). The chairman's and chief executive's statement made much of the early adoption of FRS 3, but also placed much emphasis on the figures before accounting "adjustments".

Like so many of the review panel's previous judgments against companies in the last two years, the audit report was unqualified. And which firm of accountants provided the view that the accounts were "true and fair"? None other than Coopers & Lybrand. The killer bug lives on!

FINANCIAL CONTROLLER

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AAA Investment Bank *c£45,000 + Banking Benefits*

One of the most respected international investment banks, our client is continuing to develop its outstanding reputation across a fully integrated range of banking, securities and related derivatives activities.

A need has arisen within the group finance function to recruit a financial controller for the group's securities activities. You will be responsible for a team providing all of the financial and regulatory reporting for the main trading companies which are involved in equities, bonds and related derivative products. There will be a significant level of involvement with challenging adhoc projects requiring extensive liaison with the front office support teams, taxation and compliance, in this fast moving environment.

This is a very demanding position requiring a combination of technical and managerial skills. Aged in your late twenties or early thirties, you will be a graduate qualified accountant, probably ACA, with at least 4 years post qualified experience. This will be focused on the securities industry and should include significant regulatory exposure, mainly SFA related. Applications from major banks or the profession are welcome.

This is an excellent opportunity to join an investment bank of the highest quality with responsibilities for some of their most important activities. In return, you will require a positive long term perspective to your career, be motivated to succeed in a team orientated environment and possess the ability to perform consistently to tight deadlines.

Interested applicants please send a full CV to Tim Musgrave, Ref 22/1728 at Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN, or if you prefer, telephone 071-240 1040.

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INTERNATIONAL

GROUP CHIEF ACCOUNTANT

Shepperton **c£40,000 + Car + Benefits**

Our client, a holding company encompassing nine diverse companies is now seeking to appoint a Group Chief Accountant.

Reporting direct to the Group Chairman and joint Managing Directors, your brief will be to make a significant contribution to the development of the group's financial strategy and policies. You will also be responsible for collating and verifying the results from subsidiary operations, reviewing and developing the group's financial structure, together with ensuring that comprehensive controls and reporting procedures exist and are maintained in all areas of the business. Additionally, it will be necessary for you to liaise with external advisors, carry out certain Company Secretarial duties as well as controlling the centralised accounting function.

The successful candidate will be a Chartered Accountant, aged 35 plus, and have at least 10 years post qualification experience gained preferably in the commercial sector.

Please write, enclosing your CV and salary details to:-
Sylvia Adams,
Personnel Consultant,
Menzies Personnel Consultants,
Ashby House, 64 High Street,
Walton on Thames,
Surrey. KT12 1BW
Tel: 0932 247611

MENZIES
PERSONNEL CONSULTANTS

Group Financial Controller

West Midlands **c £40-45,000 + Car**

Our client, an international group has expanded rapidly by both acquisition and organic growth. Internal restructuring, and a strengthening within its finance function, has led to the need to recruit an outstanding Group Financial Controller.

The scope of the role will cover the areas of group financial consolidation and reporting, treasury, audit and financial systems development. Supporting the Group Finance Director, who will adopt more of a 'city liaison' role, you will help the Group develop through an exciting period of change.

Ideally aged 30-40, you will be technically excellent with a hands-on approach and display high levels of energy and enthusiasm. Experience in an international group role at a Senior level will be important, as will a commercial outlook, ambition and seasoned man-management skills. A truly fast-track go-ahead individual is sought.

If you believe you have the qualities to fulfil this role and have the energy to help move this company towards an exciting future, then please forward a comprehensive CV stating current salary to Adam Leon or Paul Kinsey at **Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD**, quoting ref: 191459.

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Lotus. European Controller

Marketing

Working Together

Middlesex c £65,000 + Bens

Our client, Lotus Development Corporation, is continuing to enjoy strong revenue growth with turnover for 1993 of just under $1bn worldwide. Since the launch of 1-2-3 in 1983, to the more recent Notes (which created the revolutionary Groupware concept), their products have consistently achieved new ground and new standards, thoroughly deserving a reputation for quality, reliability and superiority. In an industry renowned for innovation, rapid change and corporate adaptability, Lotus have led from the front.

The European business now seeks a Marketing Controller. Reporting directly to the Marketing Directors (and functionally to the International Controller) the position provides the critical link within the heavily matrixed European sales and marketing organisation to ensure that marketing budgets are spent as effectively as possible to support sales efforts. Key responsibilities include:

- Exercise control over all marketing spend and actively participate in the decision-making surrounding its deployment.
- Assist in the development of European pricing strategy.
- In-depth analysis of new product profitability.
- Develop new measurement criteria of advertising and promotional projects in order to maximise efficiency of spend.

The successful candidate will be a qualified accountant with outstanding technical skills and a proven track record of supporting a demanding marketing function. Applicants with European exposure gained in either a hi-tech or FMCG environment will be of particular interest.

Strong negotiating and communicating skills must be combined with independence, maturity, commercial awareness and, above all, adaptability as the role is certain to broaden and develop; such is the culture of Lotus, dictated by their rapid rate of progress.

On offer is not just a well remunerated senior position in a market leader, but the opportunity to genuinely influence one of the most exciting and demanding companies in Europe.

Interested applicants should write, enclosing a comprehensive curriculum vitae, daytime telephone number and details of current remuneration to Dan Chavasse at Michael Page Finance, 39-41 Parker Street, London WC2B 5LH, quoting reference J/191256.

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Investment Accountant

City **to £36,000 + Car + FS Benefits**

Our client is one of the UK's most progressive financial services institutions with funds under management in excess of £6.9 billion and offering a comprehensive range of investment products and services, to both corporate and individual clients.

Reporting to the Manager, Investment Accounts, a high calibre Investment Accountant is required to head up the Investment and Unit Pricing finance function. This is a highly challenging role requiring excellent managerial skills coupled with a strong technical background. Operating in a dynamic, ever changing environment, key responsibilities will include:

- Providing accurate financial information to tight deadlines.
- Management of the relevant investment accounting team including recruitment, appraisal and training of staff.
- Controlling production of published prices for unitised funds.
- Taking responsibility for signing off correct prices.
- Developing relevant systems and procedures.
- Developing relationships with Fund Managers, Actuaries and Auditors.

The successful applicant will be a qualified Accountant with experience of Investment Accounting or Unit Pricing. In addition, they will need to possess a strong character, a positive attitude to change, excellent organisational skills and the ability to train, develop and motivate staff.

Interested applicants should write to Jonathan Williams or John Zafar ACMA at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

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The Company

A member of the highly successful, privately-owned Mabey Group, Mabey and Johnson Limited is a manufacturer of proprietary steel bridging systems with an annual turnover of £25 million. A large proportion of the company's annual production is for the export market.

Employing 200 people, the company operates on three sites in the UK, the main manufacturing unit occupying a 135,000 square feet factory unit in Lydney, Gloucestershire. Having invested heavily in robotic and computer-controlled plant over the last five years, the company is profitable with expanding operations worldwide.

The Vacancy

Reporting to the General Manager the role involves the management of the accounts staff of 5, and the responsibility for production of monthly and statutory accounts information for the Company and its US subsidiary. The successful candidate will also operate as an integral part of the senior management team, and will be responsible for maintenance and development of computer systems.

The Candidate

A fully qualified accountant, with a minimum of two years post-qualification experience is required, ideally gained in a manufacturing environment. Experience in standard and contract costing would be an advantage, as would dealing with accounts of overseas subsidiaries and foreign exchange matters.

This position is being handled exclusively by Accountancy Personnel. Interested applicants should send a CV to Paul Bennett, Business Manager, 37 St. Georges Road, Cheltenham, Gloucestershire GL50 3DU.

Hays

Finance Manager

Broad Commercial Role

Up to £35,000 + Car + Benefits **West Midlands**

Outstanding opportunity for commercially focused young finance professional. Wide ranging responsibilities within continuous improvement culture. Director designate position.

THE COMPANY
- Highly successful subsidiary of £500 million plc. Turnover £7 million. Fast growing, 40% compound growth year on year.
- Regarded for product innovation and outstanding customer service.
- Quality focused. Goal to achieve world class manufacturing status.

THE POSITION
- Lead team of 15 in accounts, quality, systems, personnel, warehouse and purchasing functions. Report to Managing Director.
- Ensure the timely and accurate production of financial results. Liaise with divisional and Group Head Offices.
- Develop information systems to support business operations and decisions.
- Significant input into tactical and strategic development of business. Key member of senior management team.

QUALIFICATIONS
- Highly talented qualified Accountant, probably aged between 28 and 35.
- Previous financial management experience within a quality driven company. Ability to combine hands-on task orientated work with a strategic outlook.
- Bright, resourceful and flexible. Must possess excellent communication and people management skills.

Please send full cv by June 24th, stating salary and ref. GSM2248, to
Barkers Response & Assessment, Berwick House, 35 Livery Street, Birmingham B3 2PB

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Flexible package

With an annual turnover exceeding £120m, rising to £130m next year, and a large capital programme, this is a high profile role in one of London's major NHS Trusts.

Working closely with the Chief Executive, Chairman and other Directors, you will play a key role in formulating our business plan and determining the acquisition and deployment of resources to meet that plan.

A qualified accountant, previous experience of public sector finance, although useful, is not essential. More important is a proven capacity to manage a substantial finance function and develop effective working relationships with a wide range of other organisations in both the public and private sectors. The provision of effective leadership to all staff engaged in the finance function and those who work alongside them in the development, implementation, and monitoring of policies designed to achieve the Trust's goals and objectives is also an integral part of the role.

A successful record of instituting best business practice and experience of managing a large capital programme and organisational change, coupled with a minimum of five years experience at Board or similar level, is essential.

For further information (in the form of a briefing pack), contact our advising consultant Hamish Davidson on 071-939 6408, quoting reference H/1460/FT.
Closing date 10 June.
Executive Search & Selection, Price Waterhouse,
Milton Gate, 1 Moor Lane, London EC2Y 9PB.
Fax: 071-638 1358.

FINANCE DIRECTOR

COMMERCIAL ROLE IN PROGRESSIVE SERVICE BUSINESS

WEST MIDLANDS **c.£60,000 + BENEFITS**

- Opportunity to join a £100m turnover business services company poised for profitable expansion after a period of restructuring and refocussing the business. Subsidiary of a major plc which can offer significant career opportunities.
- Playing a lead role in the commercial development of the business through acquisitions and new customer contracts, as well as ensuring effective financial management of a company seeking to balance tight central controls and local decision-making.
- Key accountabilities include development of long- and short-term plans, delivering timely and accurate financial reports, evaluating potential acquisitions, supporting major negotiations, monitoring pricing policies and developing a talented but young 50+ strong finance team.
- Probably 35-45, a qualified accountant with senior financial management experience in a fast-paced and pressured business, probably in the service sector.
- Demonstrably high level of numeracy and analytical skills as well as the intellectual capacity to understand the detailed dynamics of a complex business. Well-rounded business skills to make a broad commercial contribution.
- Progressive, informal and open leadership style. Ability to relate to staff at all levels. Good presentation skills and strong customer service ethic.

Please apply in writing quoting Ref: 746
with full career and salary details to:
James Thorne
Whitehead Selection Limited
4 The Courtyard, 707 Warwick Road, Solihull,
West Midlands B91 3DA. Tel: 021 709 0909

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Colchester

The Company

Guardian Direct is a new direct insurance company launched by the Guardian Group of companies on 2nd March 1994. Initially operating in the motor and household insurance sector, the company has ambitious plans for growth and aims to become a market leader within the next five years. Having made recent investments in computer systems, staff training, marketing and advertising, they are now looking to recruit an ambitious finance professional.

The Opportunity

Based at the company's impressive headquarters in Colchester and working closely with the Financial Controller your key responsibilities will include:

- The production of financial accounts including preparation of annual statutory accounts.
- The design and implementation of effective accounting controls.
- The specification and implementation of new computer systems.
- Management of the company's taxation affairs, bank accounts and production of DTI returns
- The recruitment, training and development of a new team of staff.

The Candidate

A Graduate ACA, having trained with a top 20 firm, you will ideally be in your mid to late 20's and have approximately three to four years post qualification experience. Knowledge of the financial services industry is essential. Opportunities for progression within this young and dynamic organisation are excellent for a team player with first class interpersonal and man-management skills.

This position is being handled exclusively by Accountancy Personnel. For further information please contact our Recruitment Advisor Jane Garrard or write enclosing a full CV to Accountancy Personnel, 36 Museum Street, Ipswich, Suffolk IP1 1JQ. Tel: 0473 215068.

Hays

Exceptional career opportunity in a major investment bank

Director, European Audit

London **£ Executive Director/Big Six Partner**

Our client is a leading global investment bank with an outstanding reputation for profitability and innovation. The environment is one of expanding business volumes and increasing product complexity in which the control of risk is of paramount importance.

We wish to appoint a key individual whose brief will be to ensure that controls are in place to manage a complex set of financial, credit, regulatory, managerial and reputational risks. You will direct audit and consultative efforts to develop control strategy and address critical risk areas identified in partnership with other members of the senior management team.

These responsibilities, along with your involvement in strategic development projects, will enable you to make a vital contribution to the business.

A securities industry specialist with high level business and technical experience, you will have in-depth product knowledge and excellent management skills. An energetic, creative thinker enjoying executive responsibility in a financial institution or "Big Six" firm, you will be of the calibre and stature needed to make an immediate impact. The scope of this role is exceptional and the organisation will meet your ambitions regarding compensation and future opportunity.

Interested candidates should write to Suzie Mummé at BBM Selection, 76 Watling Street, London EC4M 9BJ enclosing a full Curriculum Vitae which should include contact telephone numbers. All applications will be handled in the strictest of confidence.

76, Watling Street,
London EC4M 9BJ

BBM
SELECTION

Tel: 071-248 3653
Fax: 071-248 2814

FINANCE DIRECTOR

Brentford **£40,000 + car + benefits**

This £10m turnover company manufactures and supplies reprographics equipment to the graphic arts industry in the UK. It remains competitive in a fiercely aggressive market through the quality of its new product development and the excellence of its customer service and support. The Finance Director will play a key role as part of the senior management team in ensuring market share continues to grow.

Reporting directly to the MD, the Finance Director has responsibility for managing 20 highly motivated staff in accounting, MIS, credit control, payroll and personnel. Major areas of importance, against which performance will be judged, are cash management, inventory control, efficient treasury management, risk assessment, timely and accurate reporting, and team leadership. This is a hands on as well as a strategic role.

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COMMODITIES AND AGRICULTURE

Oslo deal on oil development in the Skagerakk

By Karen Fossli in Oslo

The dispute over oil drilling in the Norwegian sector of the environmentally sensitive Skagerakk reached new heights yesterday after the minority Labour government cut a deal to gain backing for the move from the opposition Conservative party which on Wednesday had vowed to block the proposal.

In an about turn, the Conservative party decided to support Labour's proposal to open the Skagerakk for limited drilling, and eventually development, as a trade off for the government agreeing to undertake fresh environmental studies to assess the potential impact of oil activity there.

As part of the deal, the government also agreed to re-examine its stand against lifting the so-called sliding scale. The measure allows the state to increase its shareholding in oil and gas fields once they have been declared commercial.

Environmentalists, outraged by the Conservatives' move, described it was a political sell-out.

The government two years ago removed the sliding-scale for licenses offered in the 14th licensing round and onwards but the measure still exists for acreage allotted prior to the 14th round which has been proved commercial and is in the queue for development.

Oil companies have repeatedly warned the government that such discoveries would not be developed unless the sliding scale was dropped and the draconian petroleum tax regime adjusted to take into consideration prevailing low oil prices. The government proposed opening the Skagerakk for limited drilling in March as part of a plan to expand drilling acreage by up to 16 per cent to stem a steep decline in oil production expected after 1996.

The proposal has been met with wide-spread criticism from environmentalists, the fishing industry and the state pollution board which say the highly sensitive.

De Beers to double Akwatia output

By Paul Adams in Accra

De Beers is installing a new process at Ghana's Akwatia diamond mine which will soon double its output to 40,000 carats a month as the government prepares to divest from Ghana Consolidated Diamonds (GCD) next year.

The new process will treat and recover more diamonds, improve their quality, reduce losses by increasing security and cut the operating costs, according to Mr J Ansafo-Mensah, GCD's managing director.

De Beers took over interim management of Ghana's only large-scale diamond mine last October, after Inckel International withdrew from a proposed joint venture with the government and the US gem marketing company Lazare-Kaplan in 1992.

Under the new agreement, which has to be approved by Ghana's parliament, GCD will be restructured by September 1995 as a new company in which De Beers and Lazare-Kaplan will each own 40 per cent.

The government of Ghana will retain 20 per cent of the assets, and De Beers Central Selling Organisation will take over the marketing of the diamonds from Lazare-Kaplan.

When De Beers took over the management last October it increased production from about 10,000 carats a month to 20,000 carats and from about July output is expected to reach 40,000 carats a month.

De Beers is reducing the two plants at Akwatia to one and replacing the bore-milling and pan processes with a dense media separation plant which will feed a concentrate into an X-ray sorting machine. The equipment is exclusive to De Beers and is due to begin operating in June on lease to GCD until the new company is formed.

Why jute is made to feel a poor relation

Kunal Bose on the IJO's problem financing even modest development programmes

The US, one of the largest importers of jute goods, has announced that it is to give up membership of the 10-year-old International Jute Organisation by the end of June. Its departure will leave theIJO – set up to promote the second most important natural fibre after cotton – with five jute producing countries and 22 importers.

The development takes place at a time when the IJO is planning to intensify efforts to recruit new members from among the "many important importing countries and producers who remain outside the organisation," in the words of Mr KM Rabbani, its executive director. He says that the "proposed US withdrawal from IJO is part of that country's policy to stay away from commodity related organisations."

Its decision, he believes, may not have got anything to do with the working of the organisation "which has managed to stay extremely lean." He says that the cost of running the Dhaka-based IJO is about $1m a year." Undoubtedly, however, the US pull-out will make the task of enlarging the membership of IJO difficult.

The IJO is primarily concerned with the identification of projects relating to "agriculture, industry and market promotion," arranging funds for them, and ensuring that the research results lead to the improvement of jute's competitiveness in relation to other packaging materials. But mobilisation of finance has proved increasingly difficult.

Mr Rabbani says that four agricultural, four industrial and four market promotion projects are awaiting funding of a little over $7m. Of the 12 projects, the IJO has strongly recommended three to the Common Fund for Commodities (CFC). They are the varietal improvement of jute and kenaf for increased productivity; development of jute based packaging and jute intermediates as substitutes for wood, plywood and other packaging materials; and market development and promotion of jute goods in western Europe.

The estimated cost of the three projects is a mere $2.17m. The CFC is expected to be the main source of funding and the fact that cannot meet therequirements for these modest projects has now become a matter of serious concern to the IJO. The Members countries of the IJO Members seem unlikely to enlarge their project related financial assistance, but they may help the IJO in obtaining funds from multinational organisations."

The annual funding requirement for projects is between $3m and $4m, says Mr Rabbani, In spite of the financial constraint which IJO has lived with since it was established it has been able to implement a number of projects involving a total funding of nearly $5.5m. The most important of them was the collection, conservation and exchange of germplasm (part of the genetic material) for the development of improved varieties of jute, kenaf and allied fibres. A bank with 2,600 varieties of germplasm has been created at the Bangladesh Jute Industries Research Association headquarters in Dhaka.

Mr Rabbani expects that in the "next three or four years, it should be possible to produce seeds through cross breeding which will lead to a significant improvement in the productivity of jute." He says that "the improvement in agricultural productivity at a low cost to the farmer" is vital in view of the "declining trend in the real price of jute."

The only way for the jute producers to sustain their income is by getting higher yields. at a time when more and more land is being switched from jute to food crops. Jute is increasingly concentrated on marginal and less fertile land which has placed a premium on productivity. Two IJO projects relating to the strengthening jute and kenaf seeds ($651,107) and the improved retting, or softening, and extraction of jute ($895,000) now under implementation could help productivity.

Mr Rabbani says: "We will be preparing a manual for the processing, grading and storage of seeds. If the farmers can be persuaded to use the jute seeder machine developed by the IJO , it would lead to better germination of seeds. In the traditional system of broadcast of jute seeds, the wastage factor is high."

The quality of jute in all producing countries suffers because of unscientific retting and manual extraction of fibre from the plant. Retting of jute in clean water and extraction of fibre by mechanical means will automatically improve the quality of the crop.

Mr Rabbani is giving high priority to the retting project. Sofar the IJO has so far assigned the projects to the jute research institutions of the member countries. It, however, thinks that there is scope for collaboration with "scientific institutions that have no direct connection with jute" but which have the capacity to undertake work on the development and promotion of the fibre which producers must feel at present is something of a poor relation in the world of soft commodities.

Coffee bounces back as roasters return

By Deborah Hargreaves

The Coffee market returned to the offensive yesterday with London prices shooting up and traders predicted more gains as supplies remain tight.

Coffee prices recovered much of Wednesday's losses with the September futures contract at the London Commodity Exchange up $44 a tonne to $2,080 a tonne.

Traders said that much of the speculative and hedge fund selling which had pushed prices down on Wednesday was absent from the market and that roasters were buying again.

"We are not seeing much new coffee come on to the market, the speculators have taken their profits and prices look ready to move up again," one trader commented.

However, Mr Rubens Barbosa, Brazil's ambassador to Britain said yesterday that producers would be damaged if prices went up much more.

The cocoa market rose higher on the coat tails of coffee with the September futures contract increasing by £10 a tonne to £1,041 a tonne.

Cargill biodiesel-from-rape project

By Deborah Hargreaves

Cargill, one of the world's largest privately-owned agriculture and commodities companies, is joining United Oilseeds Marketing, a co-operative, in a project to produce up to 100,000 tonnes of biodiesel a year from oilseed rape.

"Two years ago if you mentioned industrial crops you were a bit of a crank, but since then we've seen huge demand from farmers and industrial customers to get to grips with non-food crops," said Ms Ann Gutteridge, an oilseeds trader at Cargill.

Farmers are able to grow non-food crops on land set-aside as part of the European Union's reform of the Common Agricultural Policy without *giving up subsidies.*

French farmers have been growing oilseeds for the production of biofuels for the past three years, but in the UK the industry has not got off the ground not least because of scepticism by the government over its viability.

Cargill says it can use its own funding to show that biodiesel could be made viable in the UK, but it also wants to open a discussion with the government about opportunities for use of the fuel.

The company said that the project would involve "millions of pounds expenditure," but said it was too soon to put a final figure on it.

The scheme could be in place by next year's harvest, the company says, if it can secure commitment from farmers to *grow enough oilseeds and if it* can find a market for the fuel. Cargill will then commission a biodiesel conversion plant at either Hull or Liverpool. It plans to guarantee farmers up to £120 a tonne for the oilseeds.

Biodiesel is expected to be 10p more expensive to produce than conventional diesel but could be made competitive if the government was prepared to take a lower tax levy on the fuel.

A recent report from the British Association for Bio Fuels and Oils called on the government to tax biodiesel at 10 per cent of the rate on fossil fuel. This would mean the Treasury giving up on revenues of £28m. It suggests the government could recover this by adding 0.20p per litre tax on conventional diesel.

Traditional suppliers seek EU sugar supply priority

By Canute James in Kingston

The European Union's traditional raw sugar suppliers have asked to be given first call on any new import quotas required and have started negotiations to supply about 260,000 tonnes per year of raw sugar which will be needed by Portugal.

The price which the EU has suggested for additional sugar imported from the African, Caribbean and Pacific (ACP) group is based on a formula which adds four cents to the going world market price, which would currently be about nine cents less than the ACP gets for its guaranteed sales of 1.3m tonnes per year.

Officials of the Sugar Association of the Caribbean, who reported on the talks with the EU, said that the expected expansion of the Union would create to the prospect of "additional access for ACP sugar to the EU of possibly between 330,000 to 400,000 tonnes each year at preferential prices."

In particular, the group is targeting Portugal which has been receiving about 75,000 tonnes per year from four ACP states – Côte d'Ivoire, Malawi, Swaziland, Zambia.

Portugal needs 260,000 tonnes per year of raw sugar which it now gets from the world market, according to the Sugar Association. ACP members want to be given first call on any quotas issued for imports by Portugal.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1320-21	1349-50
Previous	1319-20	1348-9
High/low	1313	1350/1333
AM Official	1313-4	1344-4.5
Kerb close		1346-47
Open int.	257,244	
Total daily turnover	44,741	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1340-50	1345-50
Previous	1335-45	1335-40
High/low		1350/1345
AM Official	1340-50	1345-50
Kerb close		1345-50
Open int.	3,389	
Total daily turnover	485	

■ LEAD ($ per tonne)

Close	501-3	518-20
Previous	500-1	517-8
High/low		525/512
AM Official	496-7	513.5-14
Kerb close		524-5
Open int.	36,472	
Total daily turnover	5,378	

■ NICKEL ($ per tonne)

Close	6160-70	6250-60
Previous	6110-20	6205-10
High/low	6000	6275/6040
AM Official	5995-6000	6095-100
Kerb close		6270-75
Open int.	56,222	
Total daily turnover	10,390	

■ TIN ($ per tonne)

Close	5505-25	5580-600
Previous	5505-15	5585-90
High/low		5615/5520
AM Official	5480-85	5560-65
Kerb close		5615-20
Open int.	16,519	
Total daily turnover	4,289	

■ ZINC, special high grade ($ per tonne)

Close	954-55	979-80
Previous	954-5	980-1
High/low	949	984/974
AM Official	949-50	975-76
Kerb close		982-3
Open int.	105,067	
Total daily turnover	16,978	

■ COPPER, grade A ($ per tonne)

Close	2220.5-21.5	2231-32
Previous	2213-4	2227-8
High/low	2202/2201	2239/2204
AM Official	2202-3	2215-16
Kerb close		2234-5
Open int.	209,746	
Total daily turnover	57,433	

■ LME AM Official £/$ rate: 1.5164
LME Closing £/$ rate: 1.5120

Spot:1.5121 3 mths:1.5099 6 mths:1.5083 9 mths:1.5069

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jun	101.75	+0.75	101.80	100.85	1,331	3
Jul	101.90	+0.90	102.20	100.70	37,202	122
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	384.2	+0.7	384.4	382.0	3,849	2,644
Jul	385.3	+0.5	-	-	-	-
Aug	386.8	+0.5	387.0	384.9	78,128	41,584
Oct	389.9	+0.5	390.1	388.3	5,338	159
Dec	393.2	+0.5	393.6	391.7	24,169	1,290
Feb	396.7	+0.5	-	-	5,628	232
Total					146,835	46,657

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	401.6	+1.2	402.0	397.0	15,222	1,930
Oct	403.7	+1.0	404.0	399.0	4,435	399
Jan	405.8	+1.0	-	-	1,082	221
Apr	407.9	+1.0	408.0	408.0	982	121
Total					21,721	2,671

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	134.95	+0.15	136.00	134.00	189	94
Sep	134.95	+0.15	135.00	134.10	3,478	194
Dec	135.20	+0.15	135.00	135.00	743	11
Mar	135.20	+0.15	-	-	6	-
Total					4,416	299

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Jun	536.9	+3.6	-	-	2	-
Jul	538.5	+3.5	539.0	526.0	84,132	43,235
Aug	541.4	+3.5	-	-	-	-
Sep	543.2	+3.5	544.0	532.0	12,443	1,827
Dec	550.8	+3.6	551.5	539.0	15,453	7,805
Jan	552.5	+3.6	-	-	32	-
Total					127,277	53,577

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	18.32	+0.11	18.46	18.21	111,814	34,611
Aug	17.95	+0.11	18.07	17.88	65,241	22,124
Sep	17.76	+0.08	17.88	17.75	36,536	8,216
Oct	17.68	+0.10	17.73	17.88	23,159	2,641
Nov	17.63	+0.11	17.70	17.83	16,018	2,049
Dec	17.60	+0.11	17.67	17.59	29,171	1,526
Total					419,941	78,884

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	16.61	+0.27	16.72	16.50	64,172	14,828
Aug	16.50	+0.19	16.60	16.46	37,837	6,521
Sep	16.41	+0.12	16.50	16.36	14,358	1,497
Oct	16.34	+0.07	16.44	16.34	7,654	2,037
Nov	16.34	+0.05	16.39	16.34	5,547	440
Dec	16.37	+0.10	16.37	16.33	5,947	690
Total					N/A	24,791

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	49.30	-0.13	49.70	49.25	48,507	11,454
Aug	49.85	-0.07	50.20	49.75	17,685	4,244
Sep	50.75	-0.07	50.90	50.75	11,750	429
Oct	51.70	-0.02	51.75	51.70	7,203	38
Nov	52.50	-0.07	-	-	5,677	238
Dec	53.40	-0.02	53.45	53.30	14,839	1,267
Total					130,272	18,848

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	112.75	-1.25	113.50	112.75	532	66
Sep	98.40	-0.30	98.40	98.25	487	17
Nov	99.30	-0.05	99.30	98.85	1,899	137
Jan	101.15	-0.15	101.15	100.70	1,233	68
Mar	102.55	-0.25	102.55	102.30	357	2
May	104.30	-0.15	104.30	103.95	267	69
Total					4,775	359

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Jul	331/0	+2/0	332/0	325/0	121,775	45,775
Sep	336/6	+2/6	338/0	329/0	42,095	9,760
Dec	348/2	+3/2	350/0	341/0	60,235	13,685
Mar	351/4	+3/0	352/0	343/4	7,085	575
May	343/4	+3/0	-	-	285	5
Jul	327/0	+1/6	327/0	321/0	985	170
Total					232,420	74,970

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Jul	281/0	-	281/4	275/0	568,605	191,040
Sep	276/4	+1/0	277/0	269/0	176,045	20,320
Dec	270/2	+1/6	271/0	262/4	453,450	134,680
Mar	276/2	+2/4	276/6	269/2	50,735	4,980
May	280/4	+2/4	280/4	274/0	6,735	260
Jul	281/4	+3/4	281/4	275/0	13,875	1,725
Total					1.283M	355,270

■ BARLEY LCE (£ per tonne)

Sep	97.75	-0.15	-	-	170	-
Nov	98.80	-0.20	98.80	98.50	295	51
Jan	100.25	-0.75	-	-	30	-
Mar	102.75	-0.10	-	-	10	-
May	104.75	-	-	-	4	-
Total					509	51

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jul	699/4	-1/0	701/0	682/0	262,270	100,275
Aug	700/0	+0/2	701/0	682/0	82,710	20,440
Sep	688/0	+3/0	689/0	663/0	45,670	5,000
Nov	677/4	+3/6	679/0	655/0	284,330	130,720
Jan	684/0	+6/0	684/0	660/4	24,635	2,415
Mar	687/4	+5/4	688/0	667/0	10,440	1,090
Total					751,130	264,430

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jul	28.67	+0.02	28.70	28.20	25,697	8,908
Aug	28.67	+0.09	28.68	28.13	14,616	4,160
Sep	28.50	+0.08	28.50	27.95	10,729	1,094
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

Wool

The official Australian market indicator closed this week at 626 cents a kg., 11 cents higher than a week before and at a new high for the season. [illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1018	+7	1037	1016	20,017	1,784
Sep	1040	+9	1065	1037	17,481	2,855
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 2	Jun 1	month ago	year ago
1967.8	1974.3	1860.2	1655.2

■ CRB Futures (Base: 4/9/56=100)

Jun 1	May 31	month ago	year ago
233.64	235.35	224.30	206.90

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	64.800	+0.025	65.275	64.275	18,636	10,103
Aug	64.150	-0.100	64.750	63.700	24,844	9,961
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lb)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER (Grade A) LME

[illegible]

■ COFFEE LCE

[illegible]

■ COCOA LCE

[illegible]

■ BRENT CRUDE IPE

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

[illegible]

■ OTHER

[illegible]

CROSSWORD

No. 8,470 Set by VIXEN

ACROSS

1 Note the fellow hanging about is a famous American (6)
4 Looking round the civic centre feeling famished (8)
10 A yobbo must accept a woman's attacks (6,3)
11 Individual taken in by Greek has-been (5)
12 Erect back (4)
13 Sure to be different after the coming speculations (10)
15 Get around some children – twin eleven-year-olds (7)
16 Sol turned red when cut (6)
19 Schools transport (6)
21 A lively movement, legal or otherwise (7)
23 Nice detail (10)
25 There are other ranks – a number, it's said (4)
27 Spanish article on the spirit shown in Scotland (5)
28 Foreign princess who made her mark? (9)
29 Ceremonial without measure – just like a star (8)
30 Modest tea set out (6)

DOWN

1 Equipment expected to blow up! (8)
2 One entrant's possibly put on the spot (9)
3 Love to write, that's quite apparent (4)
5 Summing up people (7)
6 A crook at 90 (5,5)
7 Private hotel bearing the royal insignia (5)
8 Flashy rig – has to be changed (6)
9 Pasta or pate? (6)
14 Dream in the face of separation (10)
17 The eccentric sees anger as ardour (9)
18 Mix the company drinks before church (8)
20 The boss enters only half – he's learning! (7)
21 Made an unusual garland for the head (6)
22 Showing some craft about exercise, the top man runs (6)
24 Reprobate having fare served up in the French way (5)
26 By no means all will get chances to eat out (4)

Solution 8,469

TOMATO SHUTUP
O O H A R A
SPILLED APPEARS
I L M M P S T
ACCURATELY SORT
S S T E I
SOCKS RINGSIDE
P E O O G
FIGHTSON TABLE
R U O H A
WARM CAMEINLAST
L D R E N A P
BLARNEY AGONIES
DAMPER INDEED

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie records strongest daily gain this year

By Terry Byland, UK Stock Market Editor

The London stock market took the opportunity of yesterday's holiday closure in Frankfurt to mount a determined rally after its prolonged run of weak trading sessions. The FT-SE 100 Index recorded its best daily gain for the year as a strong recovery in UK government bonds, together with a better performance from stock index futures, signalled growing suspicion among fund managers that the near 5 per cent fall in share prices over the past two weeks may have been overdone.

Buyers appeared as soon as the market opened and the pace quickened in the second half of the session when gains in UK gilts were extended to nearly 2¼ points as US Federal bonds opened higher and the German bund, trading on the London International Financial Futures Exchange (Liffe), reversed early losses to forge ahead.

The final reading showed the FT-SE 100-share Index at 2,980.8, the gain of 48.9 representing a recovery of all, and more, of the loss on the previous day; it was the highest daily advance since December 29 last year when the Footsie jumped by 49.7 points.

As so often in current market conditions, much of the lead came from stock index futures, where the June contract narrowed its discount to the cash market and recorded heavy trading volume.

With the focus on the futures-related blue chip stocks, the broader market had a less dramatic session. The FT-SE Mid 250 Index was finally a net 18.6 up at 3,556.3.

Account Dealing Dates		
*First Dealings: May 16	Jun 6	Jun 20
Option Declarations: Jun 2	Jun 16	Jun 30
Last Dealings: Jun 3	Jun 17	Jul 1
Account Day: Jun 13	Jun 27	Jul 11

*New time dealings may take place from two business days earlier.

Bargain hunters appeared as soon as the market opened, following morning meetings at most market firms at which buying recommendations had predominated. Share gains were extended when the June stock index future opened at a smaller discount to the underlying Footsie index than had been seen for some days. This, in turn, pushed market firms to buy the underlying stocks.

However, the advance was fairly restrained at first and it was only when the UK gilts market turned sharply ahead that the gain on the Footsie moved above the 20-point mark. There was little response to a modest fall in Britain's longer leading economic indicator, nor to details of UK gold and currency reserves, neither of which contained any surprises for the market.

It was left to the bond sector to give the final boost to a stock market which turned strongly ahead in the final hour of trading to close at the best level of the day.

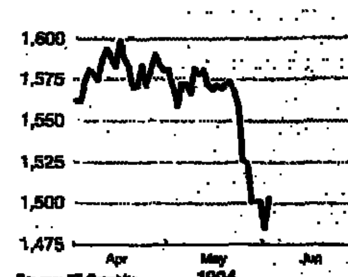
Seaq volume of 613.9m shares compared with 580.7m on Wednesday but was unexceptional; retail business was worth £1.12bn on the previous day, also a modest total in spite of the sharp fall in the stock market.

Traders admitted to being caught out by the strength behind what was generally categorised as a technical rally. The near term outlook still depends on trends in the German bond market when it reopens this morning and in the US markets' response to the payroll and unemployment data, due today.

One factor behind the recent weakness in the Footsie has been the absence of support levels on the equity charts. For similar reasons, any recovery in the market could run as far as Footsie 3,050 before being seriously challenged.

Wall Street was showing a gain of only 1.23 on the Dow Average as London closed for the day and some UK traders expressed concern over weakness in some Far Eastern markets.

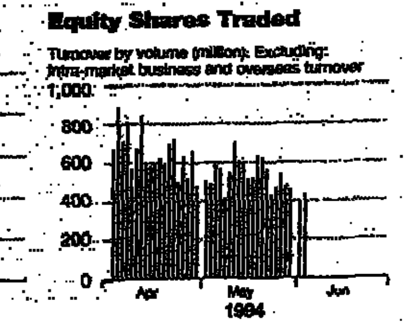
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	2980.8	+48.9	FT Ordinary index	2364.5	+43.3
FT-SE Mid 250	3556.3	+18.6	FT-SE-A Non Fins p/e	19.28	(19.04)
FT-SE-A 350	1509.9	+20.8	FT-SE100 Fut Jun	2968.0	+60.0
FT-SE-A All-Share	1503.89	+19.26	10 yr Gilt yield	8.66	(8.94)
FT-SE-A All-Share yield	3.91	(3.96)	Long gilt/equity yld ratio:	2.23	(2.28)

Best performing sectors		Worst performing sectors	
1 Tobacco	+4.2	1 Extractive Industries	-0.5
2 Insurance	+3.8	2 Other Financials	-0.4
3 Life Assurance	+2.6	3 Engineering, Vehicles	-0.3
4 Telecommunications	+2.2	4 Oil Exploration & Prod	-0.1
5 Water	+2.2	5 FT-SE SmallCap	n/c

Analysts upgrade Boots

Results ahead of market expectations lifted Boots, the high street retailer, and prompted a series of profits upgrades from stockbroker analysts. The results also brought a measure of relief to the stores sector after disappointing remarks from Kingfisher at its annual meeting on Wednesday.

Profits of £484.4m, up 19 per cent from last year, came against forecasts of £455m to £470m. Boots took an expected £68.5m in exceptional charges for its Manoplax drug and Do It All home improvement business. But strong cashflow transformed a £203.8m net debt position to a £69m cash balance at the year-end.

Forecasts for 1994-95 were upgraded by around 5 per cent to the £550m mark. The shares jumped 22 to 527p on turnover of 3.2m. Kingfisher weakened 7 to 515p.

NatWest firm

Banking group National Westminster rose 20 to 444p and saw trade of a hefty 9.8m shares, making it one of the day's most active stocks, after UBS turned buyer of the shares and upgraded profits and dividend expectations.

Mr John Aitken, at UBS, who previously had the stock marked as a hold, lifted his current-year profits expectations by £150m to £1.55bn, and by £100m to £1.9bn for the following year.

The broker also raised its dividend forecast for the current year by 17 per cent to 21.5p.

Hints from Granada at its results meeting on Wednesday that it would be interested in bidding for Yorkshire-Tyne Tees, should the government relax the current industry takeover rules, had a predictable effect on the latter's shares, which shot forward 24 to 300p. Worries over funding for such an expansionary strategy hemmed in Granada, which paid £760m for LWT earlier this year, to a penny rise at 502p.

Slow advertising volumes at Scottish TV were reported at the group's agm and the shares slid 15 to 399p.

A stock overhang continued to depress British Aerospace, which declined 7 to 448p. Sentiment was further damaged by worries over leasing contracts.

Engineering group Siebe, which reported a 19.7 per cent increase in full-year profits to £217.2, remained in the doldrums for most of the session but managed to close 2 ahead at 549p after trade of 2.8m. Several brokers upgraded profits expectations for the current year, including NatWest Securities, which now expects profits to be £5m higher at £257.5m. However, Mr Sandy Morris at NatWest said: "The shares will be a good recovery play provided the company can improve on the margins."

Profit-taking at submarine builder VSEL, which reported figures in line with market expectations, saw the shares tumble 50 to 928p. Hoare Govett also weighed in with a profits downgrade, trimming its current-year estimate by £2m to £65m.

The news that shipping and engineering group Vosper Thornycroft had failed in its joint bid for a five-year contract to supply minehunters to the Australian navy sent the shares into retreat and they closed 24 down at 740p.

Fears that the UK may be forced to change over to continental electrical plugs and sockets hurt electricals group Delta. The shares relinquished 17 to 517p.

The regional electricty company stocks were a weak feature as some pronounced selling defied the usual trend of following the gilts market, which yesterday was higher.

However, the strong market was proving irresistible towards the close and a sector-wide rally saw the shares come off their worse. Among the sector leaders, Eastern retreated 10 to 575p, London 8 to 544p and Southern 6 to 559p.

Water stocks, on the other hand, were underpinned by continuing hopes that the "K factor" – the amount by which the industry regulator allows water companies to raise prices over and above inflation – will be higher than analysts' forecast. Yorkshire, boosted by good results, advance 17 to 512p, South West 13 to 516p and Anglian 11 to 486p.

The strong performances seen in Bass in recent sessions continued, with the shares adding 15 at 534p.

News that a Saudi Arabian prince is to take a stake of up to 25 per cent in Euro Disney sent the shares sharply foward, closing 15 ahead at 365p. Rank Organisation surged 20 to 379p with house broker SG Warburg said to be recommending the shares. Profit-takers took the shine from Stakis results, the shares slipping 2 to 85½p.

Airliner British Airways hardened 6 to 380p, on turnover of 4.5m, ahead of today's passenger traffic figures for the month of May. Figures for April disappointed the market leading to a slide in the shares. One analyst said yesterday: "I shall consider anything above a 7 per cent increase to be really good."

Vague bid talk returned to Royal Insurance and the shares gained 17 to 259p. The stock is favoured by BZW which issued a note earlier this week saying the shares were "undervalued."

Buying said to have started in the US encouraged support in London for tobacco and financial services group BAT Industries. The shares closed 17 higher at 419p.

An upbeat statement at engineering group Glynwed International's annual meeting saw the shares improve 7 to 355p.

UK airports operator BAA was said to have been recommended by James Capel. The shares put on 25 to 933p.

News that the latest survey from the Halifax building society will show house prices again in decline contributed to weakness in several house building stocks.

McAlpine dropped 18 to 241p after announcing a return to profitability, but accompanying it with a £25m two-for-nine rights issue. Contracting margins were also said to be under pressure. Elsewhere, John Laing weakened 9 to 298p and Bellway slipped a penny to 233p.

A huge jump in profits at Kalamazoo, the computer services group, saw the shares gain 6 to 135p.

However, a fall in profits at Control Techniques sent the shares retreating 45 to 442p.

There were positive market debuts from publisher Cassell, placed at 143p and ending the session 8 ahead at 151p, and tableware manufacturer Denby Group, which came to the market at 130p and closed 7 better at 137p.

Relief that MEPC maintained the interim dividend, together with a positive trading statement, helped the shares firm 5 to 455p.

MARKET REPORTERS: Christopher Price, Joel Kibazo.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (21).

BANKS (1) Sumitomo Trust & Bk, DISTRIBUTORS (1) Faber Prest, ELECTRNC & ELECT EQUP (1) Mitsubishi Electric, ENGINEERING (2) Molins, Sykes-Pickavant, EXTRACTIVE INDS (1) Europa Mins, HOUSEHOLD GOODS (1) Osborne & Little, INSURANCE (1) American Intl, OIL EXPLORATION & PROD (4) PRTNG, PAPER & PACKG (1) Unit Group, PROPERTY (1) Prop. Partnership, RETAILERS, FOOD (1) Greggs, SUPPORT SERVS (2) Manpower, Micro Focus, AMERICANS (3) SOUTH AFRICANS (1) NEW LOWS (168).

GILTS (6) BANKS (3) ANZ, Allied Irish, Banco Santander, BREWERIES (1) Greenalls, BUILDING & CNSTRN (6) BLDG MATLS & MCHTS (6) Ashley Prf., CRH, Heywood Williams Prf., Norcros, Sheffield Insulations, CHEMICALS (1) Camentone, DISTRIBUTORS (3) Enterprise Computer, Gardiner, Wills, DIVERSIFIED INDLS (3) Pacific Dunlop, Powell Duffryn, Williams Prf., ELECTRICITY (1) South Wales, ELECTRNC & ELECT EQUP (2) Scantronic, Volex, ENGINEERING (6) EXTRACTIVE INDS (4) FOOD MANUF (1) Usborne, HEALTH CARE (5) Intercare, Nestor-BNA, Shield Diagnostics, Tepnel Diagnostics, UniChem, HOUSEHOLD GOODS (4) Black (P), Fine Decor, Lilliput, Reckitt & Colman 3.5pc Bd, INSURANCE (11) INVESTMENT TRUSTS (51) INVESTMENT COMPANIES (3) LEISURE & HOTELS (2) Groupe Chez Gerard, St James Beach Hotel, LIFE ASSURANCE (3) London & Manchester, Refuge, Transatlantic, MEDIA (5) Mirror Group, News Intl. Special Div., Reed Intl, Scottish TV, Sleepy Kids, MERCHANT BANKS (1) Joseph (L), OIL EXPLORATION & PROD (2) Pittencrieff, Seafield Res, OIL, INTEGRATED (1) Exxon, OTHER FINANCIAL (8) OTHER SERVS & BUSNS (1) Rodime, PHARMACEUTICALS (2) Chiroscience, Zeneca, PROPERTY (8) RETAILERS, FOOD (2) Dairy Farm, Tesco 9pc Cv Bd 2005, RETAILERS, GENERAL (10) Benchmark, Courts, DFS Furniture, Dixons Prf., Great Universal, Kingfisher, Lloyds Chemists, Do. Prf., Rhino, Smith (W. H.) 'B', SUPPORT SERVS (1) Reflex, TEXTILES & APPAREL (2) Coats Viyella, Marling Inds, TRANSPORT (1) Mersey Docks & Harbour, WATER (1) Mid Kent, AMERICANS (1) CANADIANS (2)

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures bounced from recent lows to move sharply ahead, encouraging a recovery in the cash market. However, the June Footsie futures contract remained at a discount throughout the session, *writes Terry Byland*.

The discount against the cash market recorded by the June futures contract was much reduced from the 30 points seen on Wednesday and trading volume remained healthy.

Traders commented that selling had been overdone this week and that investors were in the mood to test the market.

Some further selling from US sources was seen at the opening but, in the absence of the Frankfurt markets, London futures soon rallied. For most of the session the discount on the June future was cut to around 11 points and the day's low of 2,923 on the contract was reached very early.

Buyers continued to appear throughout the day and the final official quotation of 2,968 on the contract was 60 points higher than its previous close and showed a discount reduced to 10 points against cash. Turnover at the close was just above 17,500 lots.

However, in traded options, volume dipped from Wednesday's 36,389 contracts to 30,170 yesterday, and the Footsie option recorded only 13,076, against 18,189. Among stock options, British Gas (1,819) headed the list.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2931.0	2968.0	+60.0	2980.0	2923.0	17514	50490
Sep	2942.0	2980.0	+59.5	2984.0	2938.0	2039	10209
Dec	-	2989.0	+61.0	-	-	0	251

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3550.0	3565.0	+37.0	3550.0	3550.0	25	3724
Sep	3568.5	3570.0	+37.0	3585.0	3565.0	25	921

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	3550.0	-	-	-	-	771

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2975) £10 per full index point

	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P
Jun	178½	7	132½	11½	91½	22	56	37	29½	62	14	99½	6	141½	2½	189½
Jul	194½	21½	154	31½	119	48½	89½	68½	62½	89½	42½	121	27	157	16½	198
Aug	215½	39	188	53½	144½	67½	115½	86	87	110	65½	139	45½	172½	31½	208½
Sep	234	50	189	62½	157½	78½	129½	101	103	124	83	155½	62½	185½	48	222
Dec†	280	78			198	115			143	158½			99	212		

Calls 5,680 Puts 5,795

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	[illegible]							
Aug	195	43	128½	75	76½	122	40	184½
Sep	208	53	141	87	89½	134	52	194½
Dec†	243½	84	180	118	126½	161½	85½	217½

Calls 1,270 Puts 3,934 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3550	3600	3650	3700	3750	3800	3850	3900
Jun	59 45	36 72	20½ 106	10½ 146				

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Jun 2	Day's chge%	Jun 1	May 31	May 27	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2980.8	+1.7	2931.9	2970.5	2966.4	2852.8	4.14	6.93	17.24	40.79	1109.19
FT-SE Mid 250	3556.3	+0.5	3537.7	3564.3	3572.3	3183.6	3.47	5.73	21.28	40.66	1306.40
FT-SE Mid 250 ex Inv Trusts	3582.5	+0.5	3544.0	3571.6	3582.1	3202.9	3.61	6.17	19.85	41.40	1304.70
FT-SE-A 350	1509.9	+1.4	1489.1	1506.7	1506.9	1423.2	3.98	6.65	18.04	19.87	1149.87
FT-SE SmallCap	1872.84	.....	1872.16	1877.54	1883.82	1626.40	2.96	4.22	29.22	19.16	1437.32
FT-SE SmallCap ex Inv Trusts	1852.35	+0.1	1851.30	1856.39	1862.24	1639.28	3.14	4.65	26.84	19.55	1424.82
FT-SE-A ALL-SHARE	1503.89	+1.3	1484.63	1501.22	1500.86	1409.32	3.91	6.47	18.56	19.48	1165.34

■ FT-SE Actuaries All-Share

	Jun 2	Day's chge%	Jun 1	May 31	May 27	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2697.32	+0.3	2690.28	2808.16	2804.28	2199.10	3.58	4.50	27.89	37.88	1036.10
12 Extractive Industries(4)	3756.09	-0.5	3774.34	3792.29	3785.15	3061.10	3.53	5.38	23.31	43.39	1025.01
15 Oil, Integrated(3)	2557.28	+0.5	2545.26	2550.35	2545.33	2117.80	3.60	4.63	26.83	40.43	1037.76
16 Oil Exploration & Prod(11)	1902.00	-0.1	1903.06	1921.10	1928.91	1947.40	3.54	1.30	80.00†	15.82	1090.22
[illegible]						1781.60	3.81	4.50	27.66	24.87	990.92

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	7,100	62½	+1¼
Abbey National†	5,800	410	+15
Albert Fisher	1,900	65	+1
Allied-Lyons†	2,700	585	+11
Anglian Water	967	486	+11
Argos	251	353	
Argyll Group†	2,200	233	+2

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Oct	Jan	Puts Jul	Oct	Jan	Option		Calls Aug	Nov	Feb	Puts Aug	Nov	Feb
Allied-Lyons	540	46½	51½	-	7½	17½	-	Hanson	240	17	21	24	5½	10½	14
(*583)	588	13	28½	-	32	42½	-	(*252)	260	7	12	15	16	21	24½
Argyll	220	16	22½	26½	9	13½	18	Lasmo	134	18	22½	-	7½	10	-

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	3	8
Other Fixed Interest	0	0	15
Mineral Extraction	54	75	72
General Manufacturers	141	130	393
Consumer Goods	48	36	107
Services	103	83	326
Utilities	22	14	10
Financials	112	92	172
Investment Trusts	90	107	273
Others	49	49	35
Totals	680	589	1411

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21⅝	+⅛	£25⅜	£21⅛	8,342	5.2	♦
ANZ A$		198¾	-8	278¼	180¼	2,655	4.6	15.7
Abbey National	N□	410	+15	523	381	5,379	4.3	13.8
Allied Irish I£	♣N□	241	—	314	240	1,588	5.2	9.3
Anglo Irish I£	♣N□	62	—	*70	51	178.9	8.5	9.3
Asahi Y		737¼	+8½	761¼	628	17,110	0.6	♦
Banco Bil Viz Pta		£19⅜	-⅛	£16⅝	£14⅞	3,848	5.2	7.1
Banco Sant Pta		£23¾	-1⅛	*£28⅛	£23¼	2,638	5.7	♦
Bk Ireland I£	♣□	255xd	—	*319	246	1,202	4.9	♦
Bank Scotland	♣N□	179xd	+4½	247	172½	2,885	3.5	14.8
9¼pc Pf		119¼	+1¼	141½	114½	118.8	10.0	–
9¾pc Pf		121	+1¼	148½	119¾	121.0	10.1	–
Barclays	♣N□	519	+19	640	487	8,444	3.8	21.5
Dai Ichi Kan Y		£12⅜	—	£12⅞	£10⅞	38,832	0.4	89.0
Deutsche DM		£295⅞	-⅞	£344¼	£294⅞	14,053	2.1	–
Esprito Santo		£19⅜	+⅛	£28⅛	£18¾	208.8	4.1	4.7
First Nat Fin	N□	74	+1	*80	60	122.8	2.6	–
6.3pc Cv Pf		83	—	*90	77	8.56	9.5	–
7pc Cv Pf		145	—	171	123	66.8	6.0	–
Fuji Bank Y		1487	-16¼	1549¼	1152½	43,859	0.4	♦
HSBC HK	N□	729	-8	1133	687	12,801	4.0	12.6
HSBC (75p Shs)	N□	704xd	-9	1113	668	8,955	4.2	12.1
Lloyds	N□	545	+15	680	530	7,030	5.1	11.5
Mitsubishi Y		£17⅜	-⅛	£18⅞	£15⅝	49,720	0.3	♦
Mits Tst & Bk Y		1083¼	-2¼	1092¼	687½	14,114	0.5	17.4
Mitsui Tst & Bk Y		822¼	-15½	841¼	514	9,853	0.8	28.0
Nat Aust A$	†	572½	-5	820¼	537¼	7,636	4.2	13.6
NatWest	N□	444	+20	622	421	7,388	5.2	10.1
Ottomane FFr		£23½	—	£33	£23½	117.5	6.2	♦
Ryl Bk Scotland	♣†N□	405½xd	+½	528	382½	3,231	3.7	18.3
Sakura Y		£9⅞	-⅛	£9⅞	£8⅜	30,882	0.6	57.7
Sanwa Y		£14½	-⅛	£15⅜	£11⅞	41,873	0.4	♦
Standard Chartd	N□	239xd	+10	*359¼	223	2,296	3.1	10.5
7 3/8pc Pf		91	+1½	108½	89½	91.0	10.1	–
Sumitomo Y		£13⅞	-⅛	£16⅛	£11½	43,889	0.4	30.0
Sumitomo Tst Y		1069¾	+2	1069¾	625	13,304	0.5	♦
TSB	N□	208½	+2½	291	202½	3,190	4.6	14.2
Tokai Y		£8¾	+⅛	£8⅞	£6⅞	17,790	0.6	58.6
Toyo Tst & Bk Y		784½	-18½	883	586¼	6,165	0.6	70.0
Westpac A$		219	-7	280	207	3,839	2.5	♦
Yasuda Tst Bk Y	‡	619½	+11½	634¼	442	6,832	0.8	56.2

BREWERIES

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	6¼	—	18¼	6	23.2	–	–
Bass	†N□	534	+15	619	505½	4,651	5.0	13.8
Boddington	N□	269	—	298	257	328.3	3.7	15.0
Burtonwood		182	—	193	188	37.8	3.3	15.2
Eldridge Pope A	♣N	165	-3	181	142	32.1	2.7	22.9
Fosters A$		56½	-1	68	55½	1,769	5.2	65.2
Fuller 5TA	‡†	424	+1	480	423	88.5	2.2	17.8
Gibbs Mew	‡†	418	—	423	373	28.8	2.5	20.7
Greenalls	‡†N□	411xd	-3	611	411	858.2	3.8	15.7
Greene King	†N□	467	—	684	467	197.5	3.3	13.1
Grosvenor Inns	♣‡†g	134	—	*166	124	17.8	4.2	20.3
Hardin		62	—	*76	59	22.8	–	48.4
Holt (J)	N	3275xd	—	3278	3125	98.3	1.8	18.4
Kirin Y		794	+¼	824½	674	8,356	0.8	30.0
Mansfield	†N	198	—	246	195	128.9	2.5	14.2
Marston Thomp	†N□	274	—	302	262	244.1	2.5	15.3
Morland	†N	500	+7	545	463	107.5	2.5	17.1
Paramount	♣♣GN□	11	—	11	9½	5.53	1.9	19.8
Regent Inns	♣♣N	232	-1	267	209	34.2	2.2	23.6
Scott & New	†N□	510	+5	*591	503½	2,788	4.2	15.6
United Breweries	♣J	6½	—	9	4¼	8.28	–	–
Vaux	‡†N□	264xd	—	308	264	308.5	4.5	17.0
Wetherspoon (J.D.)	†N□	377	—	*403¼	324½	135.7	1.9	24.9
Whitbread	♦N□	538	+17	617	511½	2,787	4.5	15.1
Wolv & Dudley	†N□	540	—	589	493	358.0	3.0	15.0
Young A	N	533	—	535	483	19.5	3.6	♦
N/V	N	459	—	485	423	28.2	4.2	♦

BUILDING & CONSTRUCTION

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Abbey I£		165	—	205	155	63.9	1.5	27.1
Allen	♣N	178	—	200	148	47.4	3.5	40.3
AMEC	N□	105xd	+1	164	104	212.3	3.6	50.5
6½p Cv Pf		89½	—	128½	89	164.6	9.3	–
Amco Corp	♥	47¾	+¼	98½	47½	5.15	–	–
Andrews Sykes	N□	65	—	95	68	12.1	4.4	–
Arcadian Intl	□	38	—	48	37	28.5	–	–
Ashtead	†g□	380	—	*454	333	117.4	1.5	26.0
Avonside	♣N□	133	-3	191	133	57.7	3.9	15.6
Bailey (B)	♣N	35xd	—	41	26	3.68	2.5	21.4
Ball (AH)	□	28	—	43	28	2.54	4.5	–

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£23½	—	£25½	£18½	1,892	2.8	19.4
Barlow		£5⅜	+1/16	£5⅜	£3[illegible]	1,055	6.1	9.7
Gold Flds Prop R		100	—	105	76	10.2	10.0	6.9
NK Props		99	—	95	87	3.82	9.9	37.0
SASOL	♥	341	-3	382	280	1,932	4.8	-
SA Brews		£13[illegible]xd	+[illegible]	£15[illegible]	210	7,275	2.0	22.2
Tiger Oats	†	688	—	636	536	1,033	2.3	14.4
Tongaat-Hulett	†	675	+17	675	434	605.9	2.2	16.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♥ Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. G Assumed dividend yield after rights issue. H Assumed Dividend yield after scrip issue. h Yields issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. x Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IIMR 'Headline Earnings'. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,500 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Canada Life Group

Eurolife Assurance Company Ltd

OTHER UK UNIT TRUSTS

INSURANCES

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Scottish Equitable plc - Contd.

Scottish Life Investments

Sun Alliance Group - Contd.

Allied Dunbar International Assce Ltd (z)

CMI Insurance Co Ltd

Royal Skandia Life Assurance Ltd - Contd.

Scottish Provident Intl Life Ass Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

JERSEY

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

MARKETS REPORT

Firmer tone to dollar

The dollar finished firmer yesterday ahead of the release today of important US labour market data, *writes Philip Gawith.*

The US currency tested the upper limits of its recent trading range to close in London nearly a pfennig higher against the D-Mark, at DM1.6515 from DM1.6428. It was also firmer against the yen, closing at Y104.930 from Y104.650.

Trading, however, was fairly thin with many large investors out of the market attending the Forex 94 conference which is underway in London. Analysts said it was unlikely the firmer tone represented the beginning of a new trend for the dollar.

The interest rate futures markets were again very active. Short sterling contracts regained some of the ground they lost recently, while euromark contracts traded heavy volumes.

In Europe the Swedish krona recovered slightly from recent weakness to close at SKr4.756 against the D-Mark from SKr4.787. The Bank of France cut its intervention rate to 5.30 per cent from 5.40 per cent.

■ Mr Malcolm Barr, international economist at Chemical Bank, said there had been a "very corrective feel" about a lot of the trading yesterday, with most markets retracing the moves of earlier in the week. Currencies again took their lead from the more turbulent bond markets.

"You can't have the sorts of falls in credit markets we have seen recently and not experience some sort of correction," said Mr Barr. It was a classic case of markets where there was lots of "noise", and few firm trends to follow.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said there had been cautious dollar buying, which probably reflected that the market had been short at the beginning of the week. He said dollar purchases had also been prompted by indications earlier in the week that the US non-farm payroll figure today might be quite strong.

Mr Barr said the US employment data was unlikely to give the dollar fresh impetus, but, if anything, this would be on the downside. The recent pattern has been for strong figures to cause a slide in bond prices, which has then fed over into a weaker dollar.

■ The futures markets were again very active, partly for technical reasons as investors rolled over positions in the June contracts, which will soon be expiring.

With considerable cash buying seen across the yield curve, traders were also hedging positions through the futures market.

The December short sterling contract settled at 93.61, twelve basis points up on Wednesday's close. Over 27,000 lots were traded. The December euromark contract traded nearly 69,000 lots to close slightly easier at 94.78 from 94.81.

Following recent reversals in the market, dealers were reluctant to predict that the sharp rally in short sterling would be sustained. But the return of genuine buying interest was reported. Traders said the market had also been ripe for a correction after sharp falls earlier in the week.

In the UK money markets, the Bank of England provided late assistance of £15m. The central bank had earlier provided £335m liquidity to the market after forecasting a shortage of £350m. Overnight money traded between 3 per cent an 5¼ per cent.

Money markets in most German centres were closed on account of the Corpus Christi holiday. Trade resumes today.

■ Sterling finished the day with the sterling index unchanged, after earlier testing the psychologically important DM2.50 barrier against the D-Mark. The UK currency closed the day at DM2.4977, up from DM2.4922 on Wednesday and off a high for the day of DM2.5020.

Mr Hawkins said most of the potentially bad news about the currency appeared to have been discounted, while recent economic figures were on the strong side of expectations. Even allowing for stronger German growth, interest rate differentials were still likely to move in sterling's favour.

The main constraint on the UK currency, said Mr Hawkins, was its close link to the dollar.

■ Analysts said the rate cut by the Bank of France showed that it was sticking to the pattern of tracking the Bundesbank. Mr Hawkins said the central bank tended to move when the spread between the intervention rate and the German repo rate was more than 20 basis points.

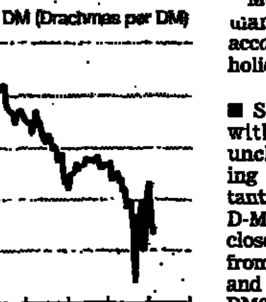
He added, though, that the current spread of 15 basis points was "about as tight as they would like to go."

In Greece, meanwhile, Mr Yannos Papandoniou, the economy minister, declared that the recent drachma crisis was over. "Markets have now understood that our foreign exchange policy is, and it will remain, unchanged."

The drachma was fixed at Dr149.50 against the D-Mark from the previous fix of Dr149.150. Interest rates continue to fall. The Athens Interbank Offered Rate (ATHIBOR) for one month fell to 60.46 per cent, down from 78.75 on Wednesday and 120 per cent on Tuesday.

Drachma

Against the DM (Drachmas per DM)



Source: Datastream

■ Pound in New York

Jun 2	Latest	Prev. close
£ spot	1.5085	1.5168
1 mth	1.5078	1.5159
3 mth	1.5062	1.5144
1 yr	1.5006	1.5094

■ OTHER CURRENCIES

Jun 2	£	$
Hungary	155.893 - 156.151	103.170 - 103.220
Iran	2644.00 - 2651.00	1748.00 - 1750.08
Kuwait	0.4494 - 0.4528	0.2972 - 0.2992
Poland	33944.4 - 34007.7	22450.0 - 22480.0
Russia	2898.27 - 2906.83	1917.00 - 1922.00
U.A.E.	5.5528 - 5.5558	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.4796	-0.0543	712 - 880	17.5836	17.4653	17.4758	0.3	17.4702	0.2	-	-	114.1
Belgium	(BFr)	51.4058	+0.0876	702 - 413	51.5110	51.4080	51.4208	-0.4	51.4308	-0.2	51.2708	0.3	115.3
Denmark	(DKr)	9.8064	+0.0144	015 - 113	9.8267	9.8007	9.8142	-1.0	9.8269	-0.8	9.8279	-0.2	115.6
Finland	(FM)	8.2660	-0.0134	563 - 756	8.3090	8.2630	-	-	-	-	-	-	80.9
France	(FFr)	8.5288	+0.008	231 - 345	8.5544	8.5227	8.5332	-0.6	8.5373	-0.4	8.5053	0.3	108.5
Germany	(DM)	2.4977	+0.0055	968 - 987	2.5075	2.4949	2.4991	-0.2	2.4992	-0.1	2.4788	0.8	123.9
Greece	(Dr)	373.034	+2.482	406 - 662	374.450	371.826	-	-	-	-	-	-	-
Ireland	(I£)	1.0244	-0.0007	234 - 253	1.0283	1.0230	1.025	-0.6	1.0261	-0.7	1.0279	-0.3	104.1
Italy	(L)	2415.90	-0.09	459 - 721	2423.66	2413.86	2421.5	-2.8	2430.95	-2.5	2462.8	-1.9	77.8
Luxembourg	(LFr)	51.4058	+0.0876	702 - 413	51.5110	51.4080	51.4208	-0.4	51.4308	-0.2	51.2708	0.3	115.3
Netherlands	(Fl)	2.7995	+0.0054	972 - 017	2.8061	2.7968	2.7982	0.1	2.8001	-0.1	2.7776	0.8	119.2
Norway	(NKr)	10.8261	+0.0128	212 - 309	10.8610	10.8050	10.8204	0.6	10.833	-0.3	10.8241	0.0	95.7
Portugal	(Es)	259.755	+0.882	459 - 050	260.280	259.326	260.73	-4.5	262.676	-4.5	-	-	-
Spain	(Pta)	206.178	+0.585	010 - 346	206.670	205.672	206.683	-2.9	207.583	-2.7	210.068	-1.9	84.9
Sweden	(SKr)	11.8767	-0.0559	678 - 856	11.9787	11.8600	11.8997	-2.3	11.9347	-2.0	12.0327	-1.3	75.5
Switzerland	(SFr)	2.1226	+0.0008	215 - 237	2.1263	2.1185	2.1212	0.8	2.1175	1.0	2.0885	1.6	118.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.3
Ecu	-	1.2960	+0.0015	954 - 966	1.2990	1.2950	1.2976	-1.5	1.2933	0.8	1.2925	0.3	-
SDR†	-	0.936022	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5093	-0.0049	088 - 098	1.5167	1.5080	-	-	-	-	-	-	-
Brazil	(Cr)	2895.83	-8.96	505 - 660	2900.00	2885.00	-	-	-	-	-	-	-
Canada	(C$)	2.0943	-0.0092	934 - 952	2.1070	2.0935	2.096	-1.0	2.0998	-1.1	2.1163	-1.1	86.7
Mexico	(New Peso)	5.0287	-0.0061	198 - 376	5.0464	5.0220	-	-	-	-	-	-	-
USA	($)	1.5124	-0.0047	120 - 128	1.5200	1.5115	1.5115	0.7	1.5101	0.6	1.5051	0.5	65.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0509	+0.0026	496 - 521	2.0582	2.0479	2.0502	0.4	2.0486	0.4	2.0476	0.2	-
Hong Kong	(HK$)	11.6856	-0.0348	817 - 894	11.7428	11.6809	11.6775	0.8	11.6736	0.4	11.7006	-0.1	-
India	(Rs)	47.4440	-0.1589	277 - 603	47.6860	47.4260	-	-	-	-	-	-	-
Japan	(Y)	158.698	-0.069	624 - 768	159.700	158.100	158.276	3.2	157.486	3.0	153.321	3.4	183.6
Malaysia	(M$)	3.9098	-0.0026	063 - 129	3.9240	3.9057	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5472	-0.0062	450 - 494	2.5602	2.5467	2.5465	0.3	2.55	-0.4	2.5566	-0.4	-
Philippines	(Peso)	40.7215	-0.0686	460 - 969	41.1215	40.4986	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6720	-0.0179	702 - 738	5.7000	5.6696	-	-	-	-	-	-	-
Singapore	(S$)	2.3193	-0.0049	179 - 206	2.3298	2.3197	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4866	-0.0292	840 - 892	5.5291	5.4852	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2596	-0.0073	425 - 766	7.3153	7.2450	-	-	-	-	-	-	-
South Korea	(Won)	1219.53	-3.48	913 - 992	1225.58	1218.93	-	-	-	-	-	-	-
Taiwan	(T$)	40.9407	-0.1329	542 - 271	41.1800	40.8800	-	-	-	-	-	-	-
Thailand	(Bt)	38.1427	-0.1262	175 - 679	38.3040	38.1300	-	-	-	-	-	-	-

†SDR rate for Jun 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.5575	-	560 - 600	11.5850	11.5450	11.565	-0.8	11.5685	-0.4	11.4933	0.6	103.4
Belgium	(BFr)	33.9895	+0.163	750 - 040	34.0440	33.8780	34.0195	-1.1	34.0645	-0.9	34.0295	-0.1	104.7
Denmark	(DKr)	6.4840	+0.0296	825 - 855	6.5040	6.4657	6.493	-1.7	6.507	-1.4	6.524	-0.6	104.1
Finland	(FM)	5.4655	+0.0061	605 - 704	5.4790	5.4466	5.4695	-0.9	5.478	-0.9	5.494	-0.5	75.6
France	(FFr)	5.6393	+0.0228	370 - 415	5.6510	5.6238	5.6455	-1.3	5.6543	-1.1	5.6275	0.2	104.9
Germany	(D)	1.6515	+0.0087	512 - 517	1.6541	1.6450	1.6527	-0.9	1.6539	-0.6	1.646	0.3	105.4
Greece	(Dr)	246.650	+2.4	300 - 000	247.600	245.200	248	-6.6	248.85	-3.6	251.15	-1.8	69.8
Ireland	(I£)	1.4764	-0.0035	754 - 774	1.4810	1.4733	1.4748	1.3	1.4719	1.2	1.4653	0.8	-
Italy	(L)	1597.40	+4.9	695 - 784	1600.60	1592.75	1601.85	-3.3	1609.9	-3.1	1635.90	-2.4	78.3
Luxembourg	(LFr)	33.9895	+0.163	750 - 040	34.0440	33.8780	34.0195	-1.1	34.0645	-0.9	34.0295	-0.1	104.7
Netherlands	(Fl)	1.8510	+0.0093	500 - 520	1.8544	1.8449	1.8523	-0.9	1.8536	-0.6	1.8463	0.3	104.5
Norway	(NKr)	7.1582	+0.0306	569 - 595	7.1700	7.1240	7.1637	-0.9	7.1707	-0.7	7.1382	0.3	95.9
Portugal	(Es)	171.750	+1.1	600 - 900	172.000	170.800	173.155	-9.8	175.16	-7.9	180.1	-4.9	92.4
Spain	(Pta)	136.325	+0.795	250 - 400	136.630	135.690	136.74	-3.7	137.44	-3.3	139.45	-2.3	80.3
Sweden	(SKr)	7.8529	-0.0125	491 - 566	7.8938	7.8353	7.8729	-3.1	7.9029	-2.5	7.9879	-1.7	80.4
Switzerland	(SFr)	1.4035	+0.0049	031 - 038	1.4055	1.3970	1.4037	-0.1	1.4021	0.4	1.3864	1.2	104.2
UK	(£)	1.5124	-0.0047	120 - 128	1.5200	1.5115	1.5115	0.7	1.5101	0.6	1.5051	0.5	89.0
Ecu	-	1.1670	-0.005	667 - 672	1.1708	1.1645	1.1648	2.2	1.1628	1.4	1.1721	-0.4	-
SDR†	-	1.41695	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9980	-0.0001	979 - 980	0.9980	0.9978	-	-	-	-	-	-	-
Brazil	(Cr)	1908.11	-	810 - 812	1908.22	1908.00	-	-	-	-	-	-	-
Canada	(C$)	1.3848	-0.0018	845 - 850	1.3865	1.3830	1.3868	-1.7	1.3905	-1.6	1.4078	-1.7	83.0
Mexico	(New Peso)	3.3250	+0.005	200 - 300	3.3300	3.3200	3.326	-0.4	3.3278	-0.3	3.3352	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3561	+0.0058	558 - 565	1.3588	1.3532	1.3584	-0.3	1.3566	-0.1	1.3608	-0.3	90.1
Hong Kong	(HK$)	7.7265	+0.001	260 - 270	7.7275	7.7255	7.726	0.1	7.7285	-0.1	7.7427	-0.2	-
India	(Rs)	31.3700	-0.0063	675 - 725	31.3750	31.3675	31.45	-3.1	31.595	-2.9	-	-	-
Japan	(Y)	104.930	+0.28	910 - 950	105.050	104.300	104.735	2.2	104.265	2.5	101.705	3.1	145.0
Malaysia	(M$)	2.5850	+0.0063	835 - 865	2.5870	2.5760	2.5775	3.5	2.574	1.7	2.605	-0.8	-
New Zealand	(NZ$)	1.6842	+0.0011	832 - 852	1.6863	1.6829	1.686	-1.3	1.6906	-1.5	1.7123	-1.7	-
Philippines	(Peso)	26.9250	+0.025	500 - 000	27.1000	26.7000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0002	501 - 505	3.7506	3.7500	3.7508	-0.2	3.7529	-0.3	3.7656	-0.4	-
Singapore	(S$)	1.5335	+0.0015	330 - 340	1.5365	1.5317	1.5326	0.6	1.5325	0.3	1.5345	-0.1	-
S Africa (Com.)	(R)	3.6278	-0.008	270 - 285	3.6395	3.6240	3.6433	-5.1	3.6716	-4.8	3.7483	-3.3	-
S Africa (Fin.)	(R)	4.8000	+0.01	900 - 100	4.8200	4.7900	4.8338	-8.4	4.8925	-7.7	-	-	-
South Korea	(Won)	806.350	+0.2	300 - 400	806.500	806.200	809.35	-4.5	812.85	-3.2	831.35	-3.1	-
Taiwan	(T$)	27.0700	-0.0038	200 - 200	27.1200	27.0200	27.09	-0.9	27.13	-0.9	-	-	-
Thailand	(Bt)	25.2200	-0.005	100 - 300	25.2300	25.2000	25.2925	-3.4	25.42	-3.2	25.9	-2.7	-

†SDR rate for Jun 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 1. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.07	16.59	4.859	1.992	4699	5.448	21.07	505.3	401.1	23.11	4.130	1.945	4.073	2.941	308.7	2.521
Denmark	(DKr)	52.43	10	8.698	2.547	1.044	2464	2.865	11.04	264.9	210.3	12.12	2.165	1.020	2.135	1.542	161.8	1.322
France	(FFr)	60.28	11.50	10	2.929	1.201	2833	3.283	12.70	304.6	241.8	13.93	2.489	1.172	2.455	1.773	186.1	1.520
Germany	(DM)	20.58	3.926	3.414	1	0.410	967.2	1.121	4.335	104.0	82.55	4.756	0.850	0.400	0.838	0.605	63.53	0.519
Ireland	(I£)	50.21	9.576	8.329	2.439	1	2359	2.734	10.58	253.7	201.4	11.60	2.073	0.977	2.045	1.477	155.0	1.266
Italy	(L)	2.128	0.406	0.353	0.103	0.042	100.	0.116	0.448	10.75	8.536	0.492	0.088	0.041	0.086	0.063	6.569	0.054
Netherlands	(Fl)	18.36	3.502	3.046	0.892	0.366	862.9	1	3.868	92.79	73.64	4.243	0.758	0.357	0.748	0.540	56.68	0.463
Norway	(NKr)	47.47	9.054	7.875	2.307	0.946	2231	2.585	10	239.9	190.4	10.97	1.960	0.923	1.933	1.396	146.5	1.197
Portugal	(Es)	19.79	3.774	3.283	0.962	0.394	929.9	1.078	4.169	100.	79.37	4.573	0.817	0.385	0.806	0.582	61.09	0.499
Spain	(Pta)	24.93	4.756	4.136	1.211	0.497	1172	1.358	5.252	126.0	100.	5.761	1.030	0.485	1.016	0.734	77.06	0.623
Sweden	(SKr)	43.27	8.254	7.179	2.103	0.862	2034	2.357	9.116	218.7	173.6	10	1.787	0.842	1.763	1.273	133.6	1.091
Switzerland	(SFr)	24.22	4.619	4.017	1.177	0.482	1138	1.319	5.101	122.4	97.13	5.596	1	0.471	0.986	0.712	74.75	0.610
UK	(£)	51.41	9.806	8.529	2.498	1.024	2416	2.800	10.83	259.8	206.2	11.88	2.123	1	2.094	1.512	158.7	1.296
Canada	(C$)	24.55	4.683	4.073	1.193	0.489	1154	1.337	5.172	124.1	98.47	5.673	1.014	0.478	1	0.722	75.79	0.619
US	($)	34.00	6.485	5.641	1.652	0.677	1598	1.852	7.163	171.8	136.4	7.857	1.404	0.661	1.386	1	105.0	0.857
Japan	(Y)	323.9	61.79	53.74	15.74	6.452	15224	17.64	68.24	1637	1299	74.86	13.38	6.301	13.19	9.527	1000.	8.166
Ecu		39.67	7.566	6.581	1.927	0.790	1864	2.160	8.356	200.5	159.1	9.167	1.638	0.772	1.616	1.167	122.5	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6070	0.6054	-0.0021	0.6075	0.6052	29,088	117,916
Sep	0.6060	0.6045	-0.0024	0.6061	0.6045	4,277	13,647
Dec	-	0.6065	-	-	0.6065	4	340

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9567	0.9544	-0.0026	0.9592	0.9542	16,740	58,310
Sep	0.9635	0.9610	-0.0025	0.9650	0.9606	6,456	11,543
Dec	-	0.9695	-	-	0.9695	17	1,177

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7141	0.7129	-0.0008	0.7150	0.7129	16,042	40,562
Sep	0.7139	0.7132	-0.0011	0.7150	0.7132	3,056	6,754
Dec	0.7145	0.7147	-0.0018	0.7147	0.7145	5	344

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5178	1.5140	-0.0028	1.5178	1.5138	19,408	42,936
Sep	1.5140	1.5116	-0.0028	1.5142	1.5114	2,916	4,032
Dec	-	1.5120	-	-	1.5120	47	70

EMS EUROPEAN CURRENCY UNIT RATES

Jun 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.790955	-0.002268	-2.19	6.35	15
Netherlands	2.19672	2.16443	+0.00069	-1.47	5.58	-
Belgium	40.2123	39.7396	+0.0183	-1.18	5.26	9
Germany	1.94964	1.93037	+0.00095	-0.99	5.06	-
France	6.53883	6.59897	+0.00126	0.92	3.06	-8
Denmark	7.43679	7.58243	+0.00093	1.96	2.03	-13
Spain	154.250	159.287	+0.191	3.27	0.74	-23
Portugal	192.854	200.617	+0.349	4.03	0.00	-27
NON ERM MEMBERS						
Greece	264.513	288.396	+2.652	9.03	-4.58	-
Italy	1793.19	1869.83	+0.88	4.27	-0.24	-
UK	0.786749	0.772644	-0.002663	-1.79	5.92	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.425	8.92	8.80	8.80	-	-	0.06
1.450	6.47	6.42	6.57	-	0.02	0.26
1.475	3.98	4.14	4.52	-	0.23	0.66
1.500	1.62	2.27	2.81	0.05	0.80	1.45
1.525	0.18	0.98	1.60	1.09	1.99	2.62
1.550	-	0.32	0.80	3.32	3.77	4.30

Previous day's vol., Calls 27,622 Puts 42,777 . Prev. day's open int., Calls 505,291 Puts 460,155

WORLD INTEREST RATES

MONEY RATES

June 2	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.30	-	6.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.40	-	6.75
Germany	5.20	5.15	5.05	5.05	5.06	6.00	4.50	5.20
week ago	5.13	5.15	5.08	5.08	5.13	6.00	4.50	5.20
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	-	-	7.00	7.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	-	-	7.00	7.55
Netherlands	5.15	5.13	5.13	5.14	5.24	-	5.25	-
week ago	5.15	5.13	5.19	5.20	5.25	-	5.25	-
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	3.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	5	[illegible]			
week ago	-	[illegible]	[illegible]	5	[illegible]			
US Dollar CDs	-	4.18	4.44	4.80	5.36			
week ago	-	4.16	4.40	4.72	5.26			
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]			
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]			

[illegible]

EURO CURRENCY INTEREST RATES

Jun 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.43	94.39	-0.04	94.43	94.38	14,177	52,361
Sep	94.50	94.39	-0.12	94.52	94.36	36,267	50,177
Dec	94.33	94.17	-0.15	94.34	94.15	29,884	34,211
Mar	94.08	93.93	-0.15	94.10	93.86	18,641	35,743

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.90	94.87	-0.02	94.90	94.85	15781	148215
Sep	95.00	94.93	-0.04	95.00	94.88	44729	186363
Dec	94.82	94.78	-0.03	94.83	94.71	68044	224409
Mar	94.59	94.53	-0.04	94.59	94.44	59895	206967

■ THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.22	92.16	-0.06	92.23	92.14	2979	30037
Sep	92.10	92.04	-0.04	92.14	91.98	12684	48541
Dec	91.83	91.73	-0.05	91.85	91.69	7576	49407
Mar	91.56	91.44	-0.08	91.58	91.38	1956	12965

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.68	95.62	-0.15	95.86	95.42	3001	20021
Sep	95.67	95.47	-0.16	95.67	95.37	8609	23838
Dec	95.51	95.29	-0.21	95.51	95.23	898	7705
Mar	95.28	95.13	-0.18	95.28	95.02	543	6549

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.02	93.97	-0.04	94.03	93.94	1496	8552
Sep	94.16	94.03	-0.07	94.16	94.00	1172	12065
Dec	94.05	93.96	-0.08	94.05	93.88	261	7783
Mar	93.68	93.72	-0.10	93.76	93.68	156	3274

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.28	95.30	+0.01	95.31	95.28	46,223	343,102
Sep	94.80	94.83	+0.01	94.85	94.81	87,906	397,729
Dec	94.01	94.03	+0.02	94.06	94.00	165,203	412,691

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.68	95.69	+0.02	95.70	95.68	1,262	13,515
Sep	95.07	95.08	+0.01	95.09	95.07	934	15,872
Dec	94.58	94.58	+0.03	94.59	94.57	779	7,169

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9475	0.14	0.22	0.25	0.27	0.02	0.04	0.07	0.09
9500	0.01	0.07	0.10	0.13	0.14	0.14	0.17	0.20
9525	0	0.02	0.03	0.05	0.38	0.34	0.35	0.37

Est. vol. total, Calls 13012 Puts 7243. Previous day's open int., Calls 288287 Puts 191583

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9550	0.06	0.18	0.20	0.04	0.21	0.41
9575	0.01	0.09	0.12	0.24	0.37	0.58
9600	0	0.04	0.07	0.48	0.57	0.75

Est. vol. total, Calls 20 Puts 0. Previous day's open int., Calls 614 Puts 3749

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.29	95.32	+0.04	95.30	95.29	70	5804
Sep	94.81	94.85	+0.10	94.82	94.81	51	1684
Dec	94.00	94.05	+0.13	94.02	94.00	68	1616
Mar	93.78	93.83	+0.16	93.78	93.78	9	1079

UK INTEREST RATES

LONDON MONEY RATES

Jun 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅛ - 3	4$\frac{15}{32}$ - 4¼	5$\frac{1}{16}$ - 4⅞	5¼ - 5⅛	5$\frac{9}{16}$ - 5$\frac{7}{16}$	6¼ - 6⅛
Sterling CDs	-	-	5 - 4$\frac{15}{16}$	5$\frac{5}{32}$ - 5$\frac{1}{32}$	5$\frac{15}{32}$ - 5⅜	6$\frac{1}{32}$ - 5$\frac{31}{32}$
Treasury Bills	-	-	4$\frac{31}{32}$ - 4$\frac{29}{32}$	4⅞ - 4$\frac{13}{16}$	-	-
Bank Bills	-	-	4$\frac{31}{32}$ - 4$\frac{29}{32}$	5 - 4$\frac{29}{32}$	5¼ - 5$\frac{3}{16}$	-
Local authority deps.	5 - 4⅞	5 - 4⅞	5$\frac{1}{32}$ - 4$\frac{31}{32}$	5$\frac{7}{32}$ - 5$\frac{5}{32}$	5$\frac{9}{16}$ - 5$\frac{7}{16}$	6$\frac{1}{16}$ - 6$\frac{1}{16}$
Discount Market deps	4¾ - 3½	4$\frac{13}{16}$ - 4$\frac{11}{16}$	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.7981pc. ECGD fixed rate Stlg. Export Finance. Make up day May 31, 1994. Agreed rate for period Jun 26, 1994 to Jul 25, 1994, Schemes II & III 6.47pc. Reference rate for period Apr 30, 1994 to May 31, 1994, Schemes IV & V 5.222pc. Finance House Base Rate 5½pc from June 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.70	94.70	+0.01	94.71	94.69	5092	61698
Sep	94.25	94.28	+0.06	94.30	94.22	16638	96960
Dec	93.56	93.61	+0.12	93.64	93.52	27482	143261
Mar	92.85	92.93	+0.13	92.95	92.83	9831	54365

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9450	0.20	0.09	0.07	0	0.31	0.96
9475	0.02	0.04	0.04	0.07	0.51	1.18
9500	0	0.01	0.01	0.30	0.73	1.40

Est. vol. total, Calls 3490 Puts 556. Previous day's open int., Calls 209048 Puts 170140

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	● Members of British Merchant Banking & Securities Houses Association	
Barclays Bank	5.25	C. Hoare & Co	5.25	* In administration	
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
Cl Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	*Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Caledonian Bank Plc
8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235
HICA 4.75 3.5625 - Yearly

Cater Allen Ltd
20 Birchin Lane, London EC3V 9DJ 071-623 2070

HICA	3.75	2.81	3.81	Mth
Fixed £50,000+	4.56	-	4.65	Mth
Overnight £50,000+	4.25	-	4.33	Mth

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH. 071-248 4000

£2,500-£19,999	3.75	2.81	3.80	Mth
£20,000-£49,999	4.00	3.00	4.06	Mth
£50,000-£99,999	4.25	3.19	4.31	Mth
£100,000+	4.50	4.31	4.57	Mth
$5,000-$49,999	2.25	1.69	2.27	Mth
$50,000-$99,999	2.75	2.06	2.78	Mth
$100,000-$199,999	3.00	2.25	3.04	Mth
$200,000+	3.25	2.44	3.30	Mth

Many other currencies are available - for rates please phone ext 2166

Clydesdale Bank Flexible Solution Acc
30 St Vincent Place, Glasgow G1 2HL 041-248 7070

£10,000-£29,999	3.70	2.78	3.75	Qtr
£30,000-£99,999	3.75	2.81	3.80	Qtr
£100,000-£199,999	3.80	2.85	3.85	Qtr

The Co-operative Bank
PO Box 300, Skelmersdale, Lancs 0345 252000

TESSA	5.25	-	-	Yearly
Pathfinder - Card Based Current Account				
All Balances	4.90	3.68	5.01	Mth
Investment 60 - 60 Day Notice Savings				
£50,000+	5.25	3.94	5.32	6-Mth
£25,000-£49,999	4.50	3.38	4.55	6-Mth
£10,000-£24,999	4.00	3.00	4.04	6-Mth
£5,000-£9,999	3.00	2.25	3.02	6-Mth
Top Tier - Instant Access Savings				
£50,000+	3.75	2.81	3.79	6-Mth
£10,000-£49,999	3.25	2.44	3.28	6-Mth
£1,000-£9,999	2.25	1.69	2.26	6-Mth
Business Deposit - Instant Access				
£250,000+	4.25	3.19	4.30	6-Mth
£50,000-£249,999	3.00	2.25	3.02	6-Mth
£10,000-£49,999	2.75	2.06	2.77	6-Mth
£500-£9,999	2.31	1.73	2.32	6-Mth

30-90 day notice available Tel 061-829 5526

Save & Prosper/Robert Fleming
16-22 Western Rd, Romford RM1 3LB. 0800 282101

Client Account	3.75	2.81	3.82	Daily
TESSA Fixed 1 Year	4.89	-	5.00	Mth
TESSA Variable	4.41	-	4.50	Mth

Tyndall Bank plc
29-33 Princess Victoria St, Bristol 0272 744720

HIMA £5000+/Master Plus	3.625	2.719	3.675	Qtr
Deemed/HIMA £10000+	3.750	2.813	3.803	Qtr
HIMA £50000+	3.875	2.906	3.932	Qtr
HIMA £100000+	4.000	3.000	4.060	Qtr
Tyndall TESSA	4.375	-	4.447	Qtr

ULC Trust Limited
1 Great Cumberland Pl, London W1H 7AL 071-258 0004

£10,000-90 day notice	6.75	5.06	6.92	3-Mth
£10,000-180 day notice	7.50	5.63	7.64	6-Mth
£25,000 - 1 Year	7.25	5.44	-	Yearly

United Dominions Trust Ltd
PO Box 92, Herts, EN4 0QY 081-447 2438
Capital Plus Cheque Account
£1,000+ 4.75 3.56 4.84 Qtr

J. Henry Schroder Wagg & Co Ltd
120 Cheapside, London EC2V 6DS 071-382 6000

Special Acc.	4.75	3.56	4.83	Mth
£10,000 and above	5.00	3.75	5.09	Mth

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

£15,000+	4.75	3.56	4.84	Qtr
£5,000-£14,999	4.50	3.38	4.58	Qtr
£1,000-£4,999	4.25	3.19	4.32	Qtr

NOTES- Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 1 / Sch)

BELGIUM/LUXEMBOURG (Jun 2 / Frs.)

DENMARK (Jun 2 / Kr)

FINLAND (Jun 2 / Mks)

FRANCE (Jun 2 / Frs.)

GERMANY (Jun 1 / Dm.)

ITALY (Jun 2 / Lire)

NETHERLANDS (Jun 2 / Fls.)

NORWAY (Jun 2 / Kroner)

SPAIN (Jun 2 / Pts.)

SWEDEN (Jun 2 / Kronor)

SWITZERLAND (Jun 2 / Frs.)

PACIFIC

JAPAN (Jun 2 / Yen)

AUSTRALIA (Jun 2 / Aust$)

HONG KONG (Jun 2 / H.K.$)

MALAYSIA (Jun 2 / MYR)

SINGAPORE (Jun 2 / S$)

NORTH AMERICA

CANADA

TORONTO (Jun 2 / Can $)

4 pm close

MONTREAL (Jun 2 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jun 2 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, June 2, 1994

	Stocks Traded	Closing Prices	Change on day
M'bishi Hvy	18.7m	772	+5
Kawasaki Steel	11.5m	419	-4
Oki Electric	10.7m	681	+13
Fuji Hvy Ind	9.4m	445	+5
Furukawa Elec	9.2m	747	+4
Kawasaki Hvy Ind	8.7m	470	-3
Isuzu Motors	8.2m	508	-4
Cosmo Oil	8.0m	881	+7
Hitachi	7.1m	1080	-20
Fujitsu	6.6m	1120	-10

INDICES

US INDICES

■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

■ CAC-40 STOCK INDEX FUTURES (MATIF)

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

4 pm close June 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¼	11	Gen House	0.32	2.8	11	110	11¾	11⅛	11¼	
62¼	49⅞	GnMill	1.88	3.4	17	3361	55¼	54½	55¼	+⅞
65⅜	52	GenMtr	0.80	1.5	25	11702	54⅛	53⅜	53½	-¼
38	27½	GnMtrE	0.48	1.4	23	5283	35⅛	35	35⅛	+⅛
40⅛	31⅞	GnMtrH	0.80	2.3	22	1119	35⅞	35½	35½	-⅝
31⅜	26⅛	GenPUt	1.80	6.3	10	1148	28⅝	28¼	28½	
125⅜	101¾	GenRe	1.92	1.6	14	1530	122⅜	120⅛	120¾	-1⅛
38	30⅛	GenSig	0.90	2.9	21	1074	31¾	31	31	
51½	41¾	Genentech			96	1187	49⅝	48¼	49	+¼
5⅝	3¼	Genesco			1	235	3⅞	3⅝	3¾	
21⅜	13¼	Geneva Stl			27	277	18	17⅝	17¾	+⅛
7⅛	5	Genrad Inc			2	494	6⅜	5¾	6⅛	+¼
39⅛	33⅝	GenuPt x	1.15	3.3	16	635	34¾	34⅜	34⅝	+1⅜
32½	21⅝	Grgia Glf			31	4009	31⅝	30⅞	31⅝	+½
77¼	56¾	GrgiaP	1.60	2.5	122	2895	65⅜	64⅜	64⅝	-¾
108½	100¼	GrgiaP7.8	7.80	7.8		220	100¼	d100¼	100¼	
104	95½	Grgia7.72	7.72	8.0		2	97	96	97	
51	28¼	GerbPr	0.86	1.7	27	1584	50⅞	50⅝	50⅞	+⅛
15⅜	13½	Gerber Sci	0.24	1.6	28	171	u15⅜	15	15⅜	+⅜
12¾	10⅝	Germany Fd	0.56	4.9		164	11⅝	11½	11½	
12¼	6¼	GetOil			9	502	7½	7¼	7½	+⅛
16⅞	12⅜	Getty Petr	0.06	0.4	19	109	14	13⅝	13⅞	+⅞
14⅝	10⅜	Giant Grp			14	12	11	10⅞	10⅞	
10¾	8⅛	Giant Inds	0.30	3.4	6	147	8⅞	8½	8¾	+¼
68¾	57¾	Gillte	1.00	1.5	35	2904	68⅞	68⅛	68⅛	-¾
2⅝	1⅞	Gitano Grp			0	1305	2	d1⅞	2	
27⅝	15⅞	Glaxo	0.91	5.6	11	7173	16⅜	16⅛	16¼	+¼

Continued on next page

4 pm close June 2

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close June 2

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	21	6	15¾	15	15¾	+⅝
ACC Corp	0.12	70	454	17	16½	16⅞	-⅛
Acclaim E		24	14663	19⅛	18	18 3/16	+3/16
Acme Mtls		20	523	23½	22¾	23½	+¼
Acxiom Cp		29	450	20½	20	20 5/16	+3/16
Adaptech		17	5521	18⅜	17¾	18 3/16	+⅛
ADC Tele		35	1617	43	41¼	42⅝	+1¼
Addington		20	34	15¼	14¾	15¼	+⅛
Adia Serv x	0.16	22	14	37	36⅝	37	+¼
Adobe Sys	0.20	24	10527	30¼	29½	29 11/16	-3/16
Advance C		8	1193	12¾	11⅞	12⅛	+½
Adv Logic		8	162	4¾	4½	4¾	+¼
Adv Polym		6	14	5⅜	5⅛	5⅛	-¼
AdvTchLab		26	78	15	14½	15	
Advanta x	0.20	20	1798	39¼	38	39¼	+1⅛
Affymax		8	102	12	11½	11½	-½
Agency Re		23	2984	13¾	13	13¾	+¾
AgnicoEa	0.10	129	730	11¾	11½	11⅝	+⅛
AirExpr	0.20	14	49	21⅝	21¼	21¼	-⅛
Akzo ADR	2.24	19	433	56	54¾	55	-⅞
Aldus Cp		40	1903	28⅞	28⅛	28½	+⅛

AMEX COMPOSITE PRICES

4 pm close June 2

AMERICA

Retail stocks decline on sales figures

Wall Street

US share prices edged forward yesterday morning as bonds improved ahead of today's crucial economic news, *writes Frank McCurry in New York.*

By 1pm, the Dow Jones Industrial Average was 2.16 better at 3,762.99, while the more broadly based Standard & Poor's 500 was a scant 0.39 firmer at 458.02 in moderate activity.

In the secondary markets, the American SE composite inched 0.57 ahead to 440.45 and the Nasdaq composite added 2.72 at 738.24.

Early on, stocks were firmer, as the Treasury debt market built upon its solid advance in the previous session.

But the mood in equities was decidedly more restrained and directionless than in bonds, especially when the moderate gains struck by the latter began to erode near midday. Share prices then moved closer to their opening values.

On balance, the day's economic news was neutral for stocks. The Commerce Department said that new orders of factory goods had slipped by 0.1 per cent in April, against forecasts of a slight upturn. The data suggested that the economy was beginning to slow, perhaps in response to the series of interest rate increases initiated by the Federal Reserve this year.

While slower growth might eventually hold back corporate earnings – an obvious negative for equities – a moderating trend also increased the likelihood of the Fed delaying any additional rate actions.

However, a better gauge of the economy's strength was looming just ahead. May employment data, due out this morning, may give investors more insight into the impact of the Fed's move to tighter money.

Economists are forecasting an increase in non-farm payrolls of between 275,000 and 300,000, suggesting steady, moderate growth.

A figure that exceeds expectations was expected to bring forward the Fed's next move. That prospect would probably trigger a fresh sell-off in bonds, which equity investors would be unlikely to ignore.

In the meantime, the market had to be content with digesting monthly sales figures from the leading retail chains. The results were generally lacklustre and most retailing stocks dipped on their release.

JC Penney posted a 5 per cent gain in sales for stores opened at least a year, one of the best performances of the month. But the market appeared dissatisfied, as its stock was marked down $1 to $50¾.

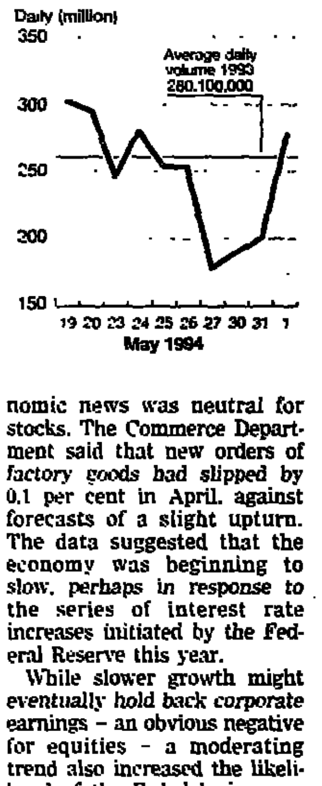
Best Buy, an electronics retailer, gained $1⅝ to $30⅝ on news of a 30 per cent jump in same-store sales. Wal-Mart, the morning's most active issue, slipped $⅜ to $22⅞, after posting same-store sales growth of 4.7 per cent.

US Surgical, which climbed $2⅞ in the previous session on takeover speculation, gave back $1⅞ to $20⅛ after Ciba-Geigy denied that it was seeking to acquire the company.

Disney added $1 at $44⅝ as the market responded favourably to news that a Saudi prince was making a big investment in its Euro Disney theme park.

On the Nasdaq, most technology issues were flat. Oracle was an exception. Its share price advanced $2 to $36⅞ after its chief executive said that he expected the software company's database business to grow by 40 to 50 per cent in the new fiscal year.

NYSE volume



Canada

Toronto stocks were mixed in quiet midday trading, buoyed by good earnings results and a recovering bond market.

The TSE 300 composite index improved 4.51 to 4,294.17 in turnover of C$249.99m.

Canadian bonds held steady at midday after several days of heavy losses on foreign worries about the forthcoming Quebec election and in spite of a downgrading of Canada's foreign debt by Moody's Investor Services.

Royal Bank put on C$¼ at C$27⅝, having recorded stronger second-quarter results. Canadian Imperial Bank of Commerce eased C$¼ to C$29⅝ in spite of higher second-quarter earnings. Newbridge Networks fell C$4¼ to C$54⅝.

Venezuela

Equities in Caracas recorded their fifth consecutive rise as foreign investors, particularly from the US, were seen buying heavily. The market has been attracting overseas interest following the decision earlier this week to replace a capital gains tax of up to 37 per cent with a 1 per cent share transaction levy.

The Merinvest index rose a provisional 11.49, or 8.2 per cent, to 150.8 in turnover that was reported to be above $6m, compared with a recent average of some $3m.

Caracas is one of the smallest of the Latin American markets, with a total capitalisation of some $6bn, and, in dollar terms, has underformed the region in the IFC emerging markets index.

EUROPE

Euro Disney stars as Paris clears 2,000 level

Late-closing markets had the best of the day's trading, *writes Our Markets Staff.* Frankfurt was closed.

PARIS rose above 2,000, a semblance of confidence returning after a brief sojourn below the support level on Wednesday.

The CAC-40 index finished 27.70, or 1.4 per cent, up at 2,007.38, with help coming from the futures exchange and a 10 basis-point cut, albeit expected, in the Bank of France's intervention rate at midsession.

Euro Disney was once again on investors' minds following the news that Prince Al-Waleed Bin Talal, the nephew of King Fahd of Saudi Arabia, was to buy between 13 and 24 per cent of the troubled theme park, and invest a further $100m in the construction of a conference centre.

Coming just a few days before Euro Disney's extraordinary general meeting, at which it was due to announce the terms of its FFr6bn rights issue, the news was welcomed with a rise in the shares of FFr1.85, or 6 per cent, to FFr32.00.

As James Capel noted, the shareholding of Walt Disney, the US parent, could fall as low as 36 per cent if the rights issue is heavily subscribed by existing shareholders. In that eventuality, Walt Disney has said that it would be prepared to sell part of its own stake, up to a maximum of FFr1bn.

Mr Nigel Reed of Paribas Capital Markets commented that the impact of this news would be felt following the rights issue since it was now less likely that there would be an overhang of shares.

Schneider suffered a difficult day, with the shares losing FFr21.60 to FFr368.90 following their suspension on Wednesday as investors reacted to news that the group's chairman had been kept in custody in Belgium pending further investigations over allegations of fraud, and that French police had searched the group's Paris headquarters.

AMSTERDAM was encouraged by better than expected results from both KLM and ING, the financial services group. As a result the AEX index, which had suffered a fright on Wednesday, recovered most of the lost ground, closing 2.24 higher at 399.76.

Hoare Govett said it expected the market's consolidation to continue in the short term, particularly as cyclical stocks had outperformed the average by between 20 to 50 per cent in the year to date. "This period of consolidation will allow relative gains in defensive stocks, such as food and beverages, publishers and (when the bond market recovers) financials," they added.

The financial sector came into play as ING's first-quarter results exceeded analysts' expectations and moved the shares 80 cents higher to Fl 76.10. The group noted that it had lost some Fl 99m from trade in emerging market debt and foreign exchange arbitrage, compared to a profit of Fl 261m the previous year.

KLM was down by the end of trading, off 50 cents at Fl 51.40 after a day's high of Fl 52.70, with traders noting profit-taking following gains in recent days. The airline, which turned a loss in the same year-ago period of Fl 562m into a profit of Fl 103m, said that in spite of the results it would be proposing to omit the dividend when shareholders meet in August.

ZURICH showed some resilience, but it closed too early to enjoy the final kick which was seen in later closing bourses.

The SMI index eased 5.6 to 2,725.9. Volume was thin, said Mr Frederick Hasslauer of Bank Sal Oppenheim in Zurich, reckoning on between SFr600m and SFr700m against Wednesday's SFr1.05bn.

Weakness in cyclicals continued and an early rise in Roche, a major index component, turned to weakness in the afternoon as the certificates closed SFr10 lower at SFr6,790.

Among the cyclicals, BBC Brown Boveri lost another SFr20 to SFr1,215 and Holderbank SFr16 at SFr929. At Sulzer, down SFr10 at SFr905 and SFr74 lower over the past five trading days, a heart valve scandal in Germany has been a drain on sentiment. However, said Mr Hasslauer, Sulzer's US subsidiary, which makes the valves, has only had a presence in the German market since January of this year.

MADRID's general index ended higher after a see-saw day, up 2.78 at 324.16 after a low of 319.57. Santander lost out on the technical and bond market considerations which took most blue chips higher, falling another Pta155, or 3.2 per cent to Pta4,730.

HELSINKI closed higher following four-month figures from Nokia, the electronics and industrial conglomerate which was a major outperformer in the share price charts, both in 1993 and early in 1994.

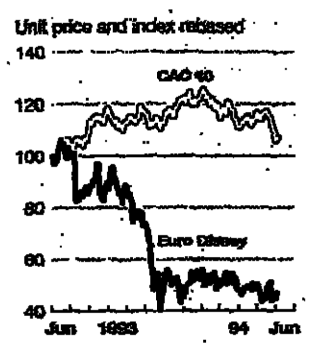
Nokia reported a 136 per cent jump in operating profits, and its share price rise of FM11 to FM419 was almost entirely responsible for taking the Hex index out of the doldrums early in the day to close 8.25 higher at 1,779.6, in turnover of FM147m.

TEL AVIV fell to an 18-month low, the Mishtanim index losing 6.51, or 3.6 per cent to 176.21 as turnover rose from Shk219m to Shk273m.

On Wednesday Mr Sam Bronfeld, director general of the Tel Aviv stock exchange, dismissed hopes of a Middle East "peace dividend", describing as an "illusion" the Israeli government theory that the peace deal with the PLO will bring about investment and increased growth.

Written and edited by William Cochrane and John Pitt

Euro Disney



Source: Datastream

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Jun 2 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1390.37	1392.90	1391.46	1389.49	1390.29	1390.81	1390.28	1390.98
FT-SE Eurotrack 200	1404.44	1407.49	1406.59	1403.99	1406.32	1405.59	1405.51	1406.87

	Jun 1	May 31	May 27	May 26	May 25
FT-SE Eurotrack 100	1388.97	1399.73	1404.19	1411.48	1412.51
FT-SE Eurotrack 200	1398.53	1409.70	1414.33	1426.97	1430.24

Base 1000 (26/10/90); High/day: 100 - 1393.30; 200 - 1407.75 Low/day: 100 - 1388.41 200 - 1402.53

ASIA PACIFIC

Pacific Rim quivers but Nikkei stays above 21,000

Tokyo

Stocks declined somewhat following four days of strong gains, but the Nikkei 225 average managed to stay above 21,000 on hopes that it could rally again, *writes Robert Patton in Tokyo.*

The index slipped 44.11 to 21,009.00. An afternoon high of 21,198.11, topping last year's closing peak of 21,148.11, was followed by a wave of profit-taking and a day's low of 20,965.69 just before the close.

The Nikkei 300 receded 1.12 to 308.77. Volume, down from Wednesday's 691m shares, remained heavy at 650m. The Topix index of all first section stocks lost 3.92 at 1,689.66, but in London the ISE/Nikkei 50 index was 1.02 firmer at 1,396.12.

Most analysts remained cautiously optimistic. Mr Keiji Ikeda, a trader at Barclays de Zoete Wedd in Tokyo, said that the day's modest decline was no more than "a digesting process after four days of rising prices".

Mr Ikeda viewed the continued strong volume in the market as positive. "This is the third time the market has tested the 21,000 level," he said, "but, this time, the volume looks stable."

Oils were mixed. After gains in the morning session, Nippon Oil ended a net Y2 off at Y776 and Japan Energy also Y2 down at Y456. Cosmo Oil benefited from a report that the company had won a concession from the Abu Dhabi government to develop a new oil field in the United Arab Emirates, the first such concession won by a foreign company since the 1973 oil crisis. At the close, Cosmo was up Y7 at Y881.

Mitsubishi Oil retreated Y26 to Y955 on rumours, which it denied, that it had suffered losses on foreign exchange transactions.

Multimedia related shares gave back most of Wednesday's gains. Hitachi was down Y20 to Y1,080, Fujitsu dipped Y10 to Y1,120 and the telecommunications giant NTT declined Y9,000 to Y883,000.

In Osaka the OSE average was 76.87 higher at 23,388.06. Volume for the day amounted to 45.1m shares.

Roundup

Rumours, technical selling and adverse corporate reports gave a number of Pacific Rim markets an uncomfortable day.

HONG KONG dropped 3 per cent, brokers blaming a spate of covered warrant issues and the market's failure to break out of its current trading range. The Hang Seng index closed 289.73 lower at 9,224.44 and turnover eased from HK$4.04bn to HK$3.60bn.

The view was that by issuing covered warrants, shareholders had locked in profits while taking money out of the market, and that traders were now wondering where buying support would come from.

Among heavily traded third-party warrants, Smart-Hopewell '94 lost 16 cents to 92 cents, Fleming-Cheung Kong '95 fell 14 cents to 73 cents, SBC-Wharf '95 dipped 13 cents to 69 cents and BZW-HSBC '96 shed 22 cents to HK$1.19.

In the share market, conglomerates were hit by worries that covered warrants were likely to be issued on their shares. Swire "A" fell HK$2.50 to HK$58.50, Jardine Matheson HK$2.50 to HK$59 and Hutchison HK$1.25 to HK$32.25.

KUALA LUMPUR plunged nearly 3 per cent, driven lower by rumours and by technical selling. The composite index lost 27.36 at 955.44 as volume rose to 131.5m shares from 93.7m. Turnover was M$621m.

Speculative stocks were most affected, especially those associated with Samsudin Abu Hassan. Granite Industries, in which he holds a controlling stake, was the day's most active issue, dropping 38 cents to M$3.80 on rumours that it could lose its licence to operate gaming machines in China.

After hours, the KLSE executive chairman, Nik Mohamed Din Nik Yusoff, denied stories that several brokerages face financial difficulties.

SINGAPORE saw negative sentiment spill over from the heavy liquidations in the Malaysian stock market, and the Straits Times Industrial index fell 15.50 to 2,252.38.

Brokers said, however, that the declines in Singapore blue chips were contained since volume was only 105.92m shares. Malaysia's Idris Hydraulics, Mulpha International, Promet, Renong and Landmarks were among fallers, and led volume.

SEOUL staged a rebound in most telecommunications related shares and, while concerns about North Korea's nuclear programme still overshadowed the market, the composite stock index rose 4.66 to 937.43.

The state-funded Korea Telecom sold off 1.16m shares in Korea Mobile Telecom much more quickly than planned. Both Korea Mobile and Dacom went the day's limit up, gaining Won6,000 and Won3,000 at Won295,000 and Won132,000 respectively.

Posco led a blue-chip rebound, adding Won2,000, limit-high, at Won69,000. Taekwang Industry, South Korea's most expensive share, also sparked high-price buying, closing Won10,000 higher at Won430,000.

SYDNEY was upset by a sharp decline in News Corp on reports that the US Federal Communications Commission might be conducting an investigation into the media group's activities there. The stock receded 30 cents, or 3.2 per cent, to A$8.90 in volume of some 3.2m shares.

The All Ordinaries index retreated 20.2 to 2,077.0 in turnover of A$435m.

Retailers lost ground on poorer than expected retail sales data: Coles shed 5 cents to A$4.28 and Woolworths 1 cent to A$3.00.

TAIPEI was generally lower, although export-related stocks advanced following the recent depreciation of the Taiwanese dollar.

The weighted index relinquished 4.83 to 5,956.62 in turnover of T$57.5bn.

BOMBAY was lifted by heavy buying from foreign institutions on the last day of the account. The BSE 30-share index finished 61.83 ahead at 3,895.32.

Brokers said that market fundamentals were strong at the moment because of recent good corporate results and forecasts that the monsoon rains were likely to be normal this year.

WELLINGTON improved, with domestic investors encouraged by reports that there had been an uplift in foreign investment following news that the government expected to report its first budget surplus for 17 years.

The NZSE-40 capital index added 11.55 at 2,147.76, with Telecom gaining 9 cents at NZ$5.02 in thin volume.

Strength in De Beers and Anglos lifts Johannesburg

A strong showing by De Beers, the diamonds combine, and Anglos, the mining finance house, took Johannesburg's overall index up by nearly a percentage point yesterday, while gold shares and industrials floundered.

De Beers closed R7, or nearly 7 per cent, higher at R109 and Anglos gained R5.50, or 2.5 per cent, at R224.40. Reflecting this the overall index advanced 53 to 5,473. The industrials index was unchanged at 6,563 and golds, weighed down by the weaker bullion price, declined 8 to 1,940.

Anglos produced better than expected full-year results on Wednesday. Of the market as a whole, Mr Nick Harwood at Fleming Martin in London said the International Finance Corporation's inclusion of South Africa in its emerging markets index with a weighting of 13 per cent should be good for sentiment.

"A weighting in a range of 13 to 16 per cent puts South Africa in line with Malaysia and Mexico," added Mr Harwood. "It raises the Johannesburg market's profile, and should attract fund managers who run passive, or index linked, funds."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JUNE 1 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY MAY 31 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	177.26	1.2	173.24	117.26	151.40	159.18	0.8	3.46	175.20	171.82	115.90	149.70	157.84	189.15	130.19	134.80
Austria (17)	173.19	-0.6	169.26	114.57	147.92	147.81	-0.6	1.10	174.16	170.80	115.21	148.81	148.70	195.41	142.90	144.71
Belgium (39)	168.66	-1.6	164.83	111.57	144.05	140.70	-1.5	3.92	171.36	168.05	113.36	146.41	142.80	178.67	141.92	146.46
Canada (106)	130.14	-0.7	127.18	86.09	111.15	130.66	-0.7	2.59	131.10	128.58	86.73	112.02	131.63	145.31	121.48	128.08
Denmark (33)	248.90	-0.6	243.34	164.71	212.66	218.58	-0.5	1.35	250.48	245.63	165.69	214.00	219.67	275.79	207.58	216.92
Finland (23)	144.35	-0.6	141.08	95.49	123.29	165.33	-0.2	0.88	145.15	142.35	96.02	124.02	165.71	156.72	85.54	97.84
France (97)	164.31	-2.3	160.58	108.69	140.33	144.76	-2.4	3.12	168.21	164.97	111.28	143.72	148.27	185.37	149.60	156.46
Germany (58)	137.63	0.1	134.51	91.04	117.55	117.55	0.0	1.78	137.55	134.90	90.99	117.53	117.53	147.07	107.59	112.16
Hong Kong (56)	389.43	-0.5	380.60	257.61	332.61	386.25	-0.5	2.76	391.33	383.80	258.88	334.38	388.17	508.56	271.42	299.62
Ireland (14)	182.33	-0.5	178.20	120.62	155.73	173.60	-0.5	3.49	183.27	179.69	121.20	156.55	174.51	208.33	155.93	163.68
Italy (60)	87.50	-0.9	85.52	57.88	74.73	104.06	-0.8	1.51	88.30	86.60	58.41	75.45	104.95	97.78	67.88	70.69
Japan (469)	162.50	0.7	158.82	107.49	138.79	107.49	0.7	0.75	161.35	158.24	106.74	137.88	106.74	185.91	124.54	150.72
Malaysia (98)	458.39	-1.4	448.00	303.23	391.51	455.25	-1.4	1.47	465.02	456.06	307.63	397.34	461.92	621.63	312.51	346.46
Mexico (18)	2141.26	0.3	2092.69	1416.46	1828.79	7772.58	0.2	1.00	2134.84	2093.69	1412.27	1824.07	7758.27	2647.08	1431.17	1494.74
Netherland (20)	198.21	-0.2	193.72	131.12	169.29	166.61	-0.3	3.37	198.57	194.75	131.37	169.67	167.07	207.43	164.22	168.34
New Zealand (14)	70.30	0.0	68.71	46.51	60.05	62.83	0.0	3.80	70.32	68.97	46.52	60.09	62.80	77.58	48.57	49.01
Norway (23)	192.89	-1.4	188.52	127.60	164.75	186.61	-1.5	1.77	195.70	191.93	129.46	167.21	189.44	206.42	150.61	158.08
Singapore (44)	345.43	-1.0	337.60	228.51	295.03	243.87	-1.1	1.56	348.86	342.16	230.80	298.11	246.50	378.92	242.46	260.48
South Africa (60)	262.30	-0.4	256.35	173.51	224.02	274.61	0.5	2.26	263.32	258.25	174.20	224.99	273.38	280.26	175.93	196.60
Spain (42)	141.98	-1.9	138.76	93.92	121.26	145.78	-2.0	4.16	144.80	142.01	95.79	123.72	148.72	155.79	116.39	128.94
Sweden (38)	216.91	-1.3	211.99	143.49	185.26	252.57	-0.3	1.58	219.68	215.45	145.33	187.71	253.45	231.35	163.85	181.22
Switzerland (47)	160.40	0.7	156.76	106.10	136.99	139.08	0.4	1.75	159.26	156.19	105.35	136.08	138.47	178.56	124.46	127.84
United Kingdom (205)	182.21	-0.9	178.08	120.54	155.63	178.08	-1.2	4.20	183.84	180.29	121.62	157.08	180.29	214.96	170.32	179.29
USA (519)	186.60	0.3	182.37	123.44	159.37	186.60	0.3	2.87	186.06	182.48	123.09	158.99	186.06	196.04	178.95	185.53
EUROPE (720)	163.31	-0.8	159.60	108.03	139.48	152.04	-0.9	3.07	164.64	161.47	108.91	140.67	153.48	178.58	141.58	146.99
Nordic (115)	206.15	-1.0	201.48	136.37	176.07	207.68	-0.5	1.44	208.26	204.25	137.77	177.96	208.61	220.80	155.62	169.18
Pacific Basin (750)	170.75	0.6	166.88	112.95	145.63	117.26	0.6	1.03	169.76	166.51	112.32	145.07	116.62	170.75	134.79	154.51
Euro-Pacific (1470)	167.49	0.0	163.69	110.80	143.05	131.54	-0.1	1.86	167.48	164.26	110.80	143.10	131.61	170.78	141.98	151.31
North America (625)	183.10	0.2	178.94	121.12	156.38	182.74	0.2	2.86	182.65	179.13	120.83	156.06	182.29	192.73	176.67	181.97
Europe Ex. UK (515)	149.16	-0.8	145.78	98.67	127.40	135.26	-0.8	2.40	150.31	147.41	99.44	128.43	136.31	157.47	122.37	127.02
Pacific Ex. Japan (281)	252.28	-0.2	246.54	166.87	215.45	225.62	-0.3	2.63	252.83	247.96	167.26	216.03	226.36	296.21	182.36	192.00
World Ex. US (1653)	168.62	0.0	164.80	111.54	144.01	134.87	-0.1	1.87	168.65	165.40	111.57	144.10	134.95	172.51	142.94	151.81
World Ex. UK (1967)	172.71	0.2	168.79	114.25	147.51	148.21	0.2	2.03	172.38	169.06	114.04	147.29	147.93	175.58	153.22	160.43
World Ex. So. Af. (2113)	173.05	0.1	169.13	114.48	147.80	150.14	0.1	2.23	172.88	169.55	114.37	147.72	150.06	178.56	155.00	161.96
World Ex. Japan (1703)	181.68	-0.2	177.56	120.18	155.17	175.73	-0.2	2.89	182.01	178.50	120.41	155.51	176.12	195.20	165.72	170.07
The World Index (2172)	173.58	0.1	169.64	114.82	148.25	151.09	0.1	2.23	173.42	170.08	114.72	148.17	151.00	178.97	155.17	162.10

Latest prices were unavailable for this edition.